



中信环境技术  
CITIC ENVIROTECH

# Shaping our Future

ANNUAL REPORT 2016





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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 solution and recycling solutions providers. 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 and China Reform Fund Envirotech Co., Ltd (“**CRF**”).

CITIC Limited is the largest conglomerate in China and a constituent of the Hang Seng Index. Among its diverse businesses, CITIC Limited focuses primarily on financial services, resources and energy, manufacturing, engineering contracting and real estate. CITIC Envirotech Ltd is the flagship platform for CITIC Limited to develop and strengthen its water and environmental businesses.

CRF is a joint venture between CRF Envirotech Fund L.P. and China Reform Soochow Overseas Fund I L.P., which are in turn sponsored mainly by China Reform Holdings Corporation LTD. China Reform Holdings Corporation Ltd., a wholly stated-owned investment company, plays a unique and crucial role in China’s state-owned assets management and restructuring process.

## Principal Business Activities

The Group has three primary business divisions: engineering, procurement and construction (“**EPC**”) division, water treatment 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 treatment division, the Group develops, owns and operates water and wastewater treatment plants in People’s Republic of China (“**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<sup>3</sup>/day.

The Group invests in wastewater treatment plants under Build-Operate-Transfer (“**BOT**”), Transfer-Operate-Transfer (“**TOT**”) and Build, Own and Operate (“**BOO**”) arrangements (the “**Investment Projects**”). 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 50 water plants across 11 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<sup>3</sup>/day plant at Huizhou Daya Bay Petrochemical Hub and the 10,000 m<sup>3</sup>/day plant at Guangzhou Nansha Chemical Industrial Park. In the 70,000 m<sup>3</sup>/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<sup>3</sup>/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<sup>3</sup>/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.

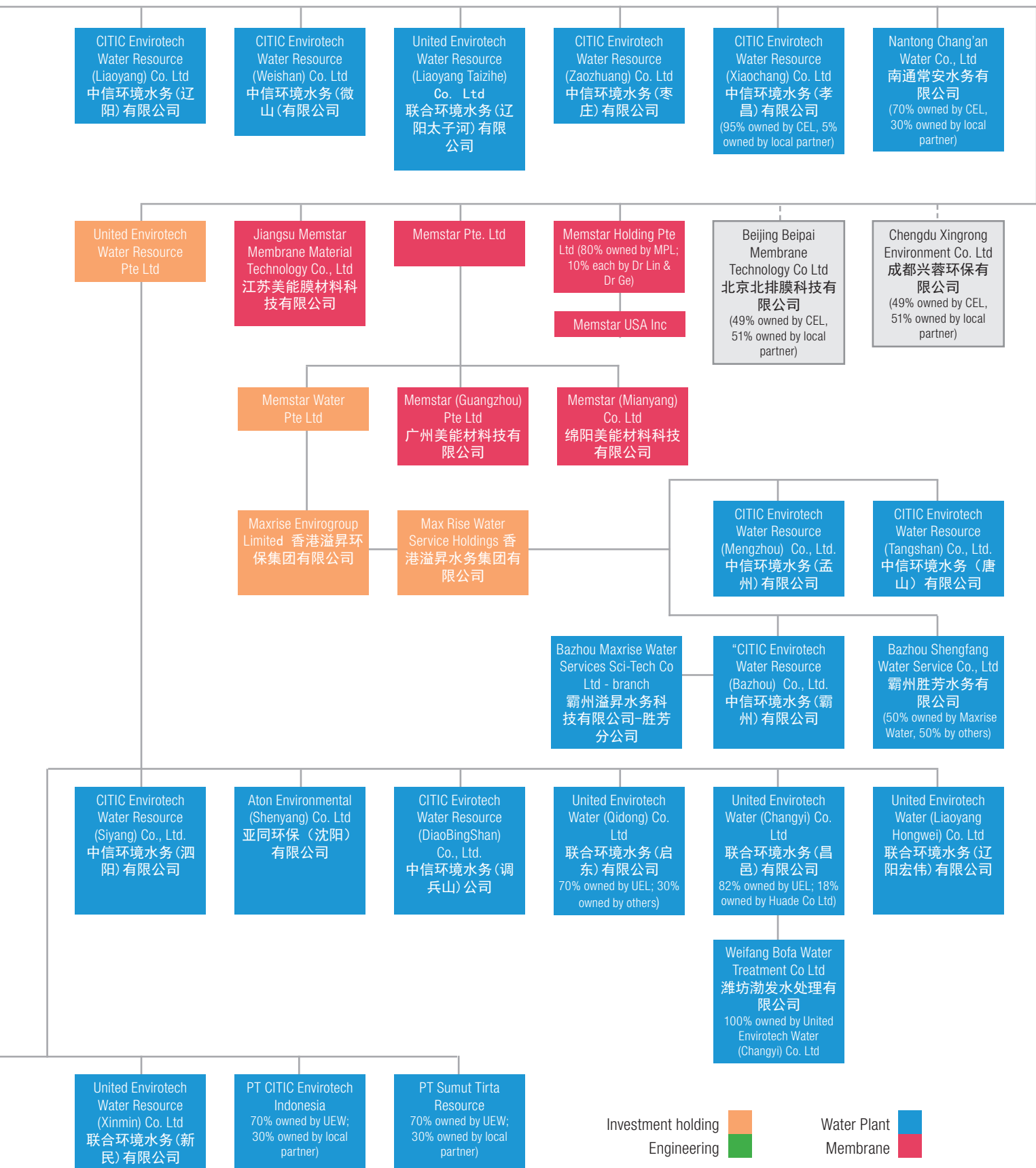
In 2015, the Group completed the construction of a 200,000 m<sup>3</sup>/day municipal wastewater treatment plant in Fuzhou City, Fujian Province, China. The plant, valued at RMB580 million, is one of the largest wastewater treatment plants using the MBR technology in China. In 2016, CEL completed the upgrading and expansion of four wastewater treatment plants with a total capacity of 750,000 m<sup>3</sup>/day in Chengdu Province, using CEL’s proprietary MBR technology to meet category 4 surface-water discharge standard without additional land use and work stoppage. In addition, the Group also completed the upgrading and expansion of the Gaoyang industrial wastewater treatment plant with the capacity of 200,000 m<sup>3</sup>/day in Hebei Province to meet the higher discharge standard with Chemical Oxygen Demand (“**COD**”) ≤ 40 mg/litre.

# Group Structure

**CITIC Envirotech Ltd**  
中信环境技术有限公司







\*\* % of ownership is 100% unless stated otherwise

# 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 Bi Jingshuang  
(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

## Remuneration Committee

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

## 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

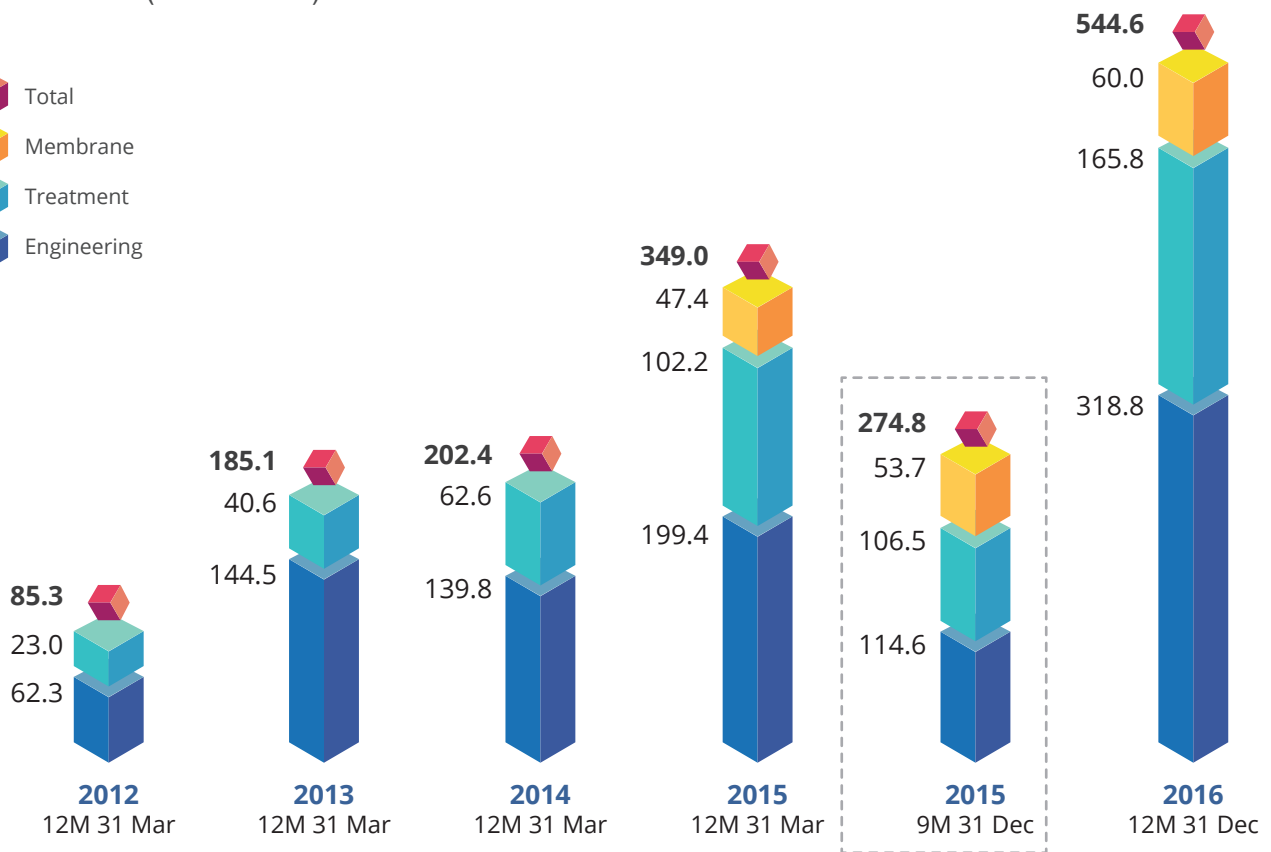
## Principal Bankers

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

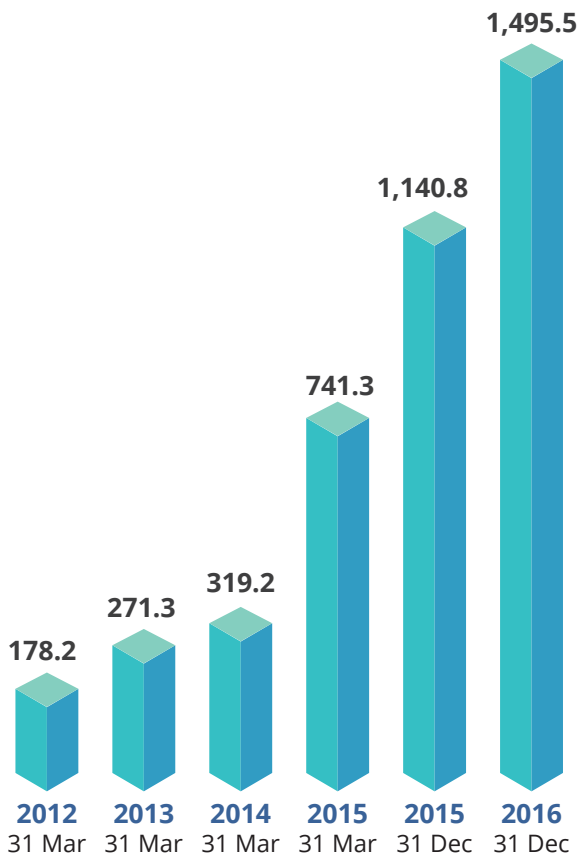


# Financial Highlights

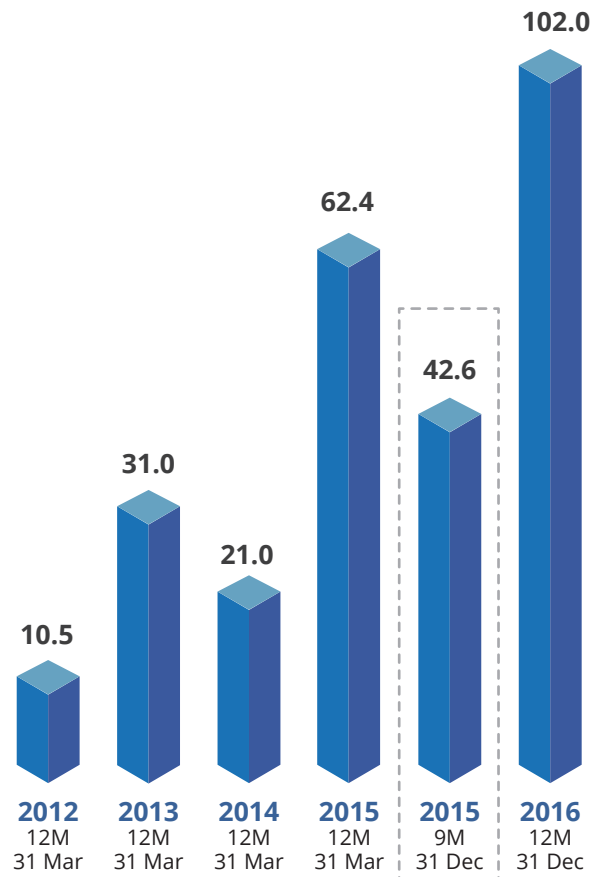
## Revenue (SGD Million)



## Net Assets (SGD Million)



## Profit after Tax (SGD Million)



# Driving Long-Term Sustainability

With new breakthroughs in the environment and water industry, the need for effective and efficient advanced treatment technology is set to rise. This year, despite a challenging operating environment, CEL was able to sustain its momentum as it recorded significant top line revenue growth, boosted by the high demand for membrane-based water treatment technology.

Our performance has inspired us to continually look out for more investment opportunities, which will be fundamental in achieving long-term sustainability. In line with this, we are committed to further leverage on our strong track record and core expertise, and establish strategic partnerships which will allow us to expand our asset portfolio in the future.







# Chairman's Message



**Mr Hao Weibao**  
Executive Chairman

## Dear Shareholders,

On behalf of the Board of Directors, it is my pleasure to present to you the report of CITIC Envirotech Ltd ("CEL", "Company", "Group") for the financial year ended 31 December 2016.


We are proud to announce that in 2016, CEL registered its highest revenue and net profit to-date. This strong performance is testament to the Group's ongoing pursuit to push new boundaries and break new grounds in the water and environmental sector.

In 2016, CEL witnessed a year of dynamic growth and expansion where key milestones were achieved when the Group secured new projects in river restoration, sludge and hazardous waste treatment. The Group also made good headway when it secured its first circular economy Public-Private-Partnership project in Shantou Chaonan, Guangdong Province, to provide a fully-integrated development project to achieve an efficient and self-sustainable economy within the Shantou Chaonan industrial park. The organic growth of the Company's business in these strategic areas is in line with the China central government's overall plan to push for more stringent environmental policies and directives to combat water pollution, improve water ecological protection and water resource conservation and treatment.

Under the One-Belt-One-Road initiative, CEL continues to expand its footprint outside China after securing 2 Build-Operate-Transfer ("BOT") projects in Indonesia to supply clean water to the population in Medan and Binjai cities. The Company is also making inroads into Pakistan and Kazakhstan, making progress to establish a foothold in the water sector in these countries.

In the area of capital structure, the Group continues to explore new and innovative funding options to lower its cost of funding in the local as well as overseas arena. In January 2017, the Company undertook a share split initiative to split every one existing share into two shares as well as conducted share purchase exercises. The Company believes that these initiatives will encourage greater participation, enhance trading liquidity for shareholders, mitigate market volatility and bolster shareholder confidence.





“CEL registered its highest revenue and net profit to-date. This strong performance is testament to the Group’s ongoing pursuit to push new boundaries and break new grounds in the water and environmental sector.”

In the coming year, CEL will further leverage on its strong track record as a technologically-driven Company with solid core expertise to engage in strategic and more large-scale merger and acquisition activities to expand its asset portfolio. As CITIC Limited’s strategic platform for all water-related businesses, this is an exciting and dynamic time for the water and environment industry, and the Group is confident that it is well-equipped to capture the extensive opportunities available for growth in the sector.

## APPRECIATION

On behalf of the Board of Directors, I would like to thank our shareholders, customers and business partners for your continued trust and support for CEL. To show our appreciation to our loyal shareholders, the Board has proposed a final dividend of 0.75\* Singapore cents and a special dividend of 0.25\* Singapore cents per ordinary share for the financial year.

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*

\* this is based on the post-split share base as at the date of announcement of 2,251,797,476.

# CEO's Message



**Dr Lin Yucheng**  
Group CEO  
& Executive Director

Dear Shareholders,

## Performance for Financial Period from 1 January 2016 to 31 December 2016

### OPERATIONAL REVIEW

2016 was a fruitful year for CITIC Envirotech Ltd ("CEL") as it registered its highest revenue and net profit to-date. The Group's revenue showed a significant 62.1% rise to \$544.6 million compared to the last corresponding year ended 31 December 2015, while profit after tax increased two-folds to \$102.0 million, compared to \$51.5 million last year.

On top of its strong performance, during the year, the Group achieved new breakthroughs in the environmental industry after it secured its first river restoration project in Yixing, Jiangsu Province, with the first block valued at RMB 650 million; its first hazardous waste and sludge treatment projects in Shandong Province with a total value of RMB 460 million; and its first circular economy Public-Private-Partnership (PPP) project in Shantou Chaonan, Guangdong Province, valued at RMB 3.2 billion. These new growth areas bode well with the Group's vision to be one of the leading players in China in the environmental industry.

This year also saw the completion of the upgrading and expansion of four municipal wastewater treatment plants with a total capacity of 750,000 m<sup>3</sup>/day in June 2016 in Chengdu Province, using CEL's proprietary Membrane Bioreactor ("MBR") technology to meet category 4 surface-water discharge standard without additional land usage and work stoppage. In addition, the Group also completed the upgrading and expansion of the Gaoyang industrial wastewater treatment plant with the capacity of 200,000 m<sup>3</sup>/day in Hebei Province to meet the higher discharge standard with Chemical Oxygen Demand ("COD") ≤ 40 mg/litre.

CEL continues its focus in generating stable and recurring revenue from its investment in wastewater treatment plants. During the financial period, the Group is able to continue its momentum in securing wastewater investment projects valued in aggregate of more than RMB 600 million in Hubei, Shandong, Fujian, Hebei and Jiangsu Provinces.

Another significant development for the Group was the incorporation of Memstar USA Inc in the United States of America in December 2016. Memstar USA Inc will undertake the new business of manufacturing and selling reverse osmosis membrane ("RO membrane") and nanofiltration membrane ("NF membrane"). The new entity will also act as a key driver towards accelerating sales of microfiltration membrane ("MF membrane") and ultrafiltration membrane ("UF membrane") products currently manufactured by Memstar Pte Ltd, CEL's wholly owned subsidiary, to global markets.

To optimise CEL's capital structure, the Group re-tapped its US\$750 million perpetual securities issuance programme in July 2016 and successfully raised US\$180 million to fund new projects.

### BREAKTHROUGH FOR HIGHER GROWTH

The Group continues to remain upbeat about its prospects in the environmental protection sector in China given that solving pollution issues is a key political mission of the Central Government. We see tremendous opportunities in the China water and wastewater treatment sector, and strong demands in river restoration projects as well as sludge and hazardous waste treatment. 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's revenue for the year was \$544.6 million, which was \$208.6 million or 62.1% higher than last corresponding year ended 31 December 2015 of \$336.0 million. The increase was mainly due to the engineering business, which rose from \$124.6 million to \$318.8 million, representing an increase of \$194.2 million or 155.9%. For the year, the Group generated a net profit of \$102.0 million as compared to \$51.5 million for the last corresponding year ended 31 December 2015, representing an increase of \$50.5 million or 98.1%.

## COST AND EXPENSES

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

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

## BALANCE SHEET REVIEW

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

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

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

The Group's total equity increased from \$1,140.8 million as at 31 December 2015 to \$1,495.5 million as at 31 December 2016. The increase was mainly due to the issuance of perpetual capital securities of US\$180 million.

## CASHFLOW AND LIQUIDITY

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

## APPRECIATION

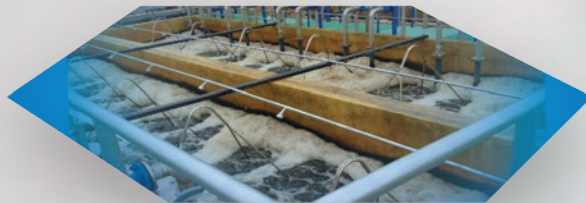
I would like to thank our valued stakeholders for your strong support of the Company. I would also like to extend my sincere appreciation to my team for their dedication and hard work.

Yours Faithfully,

**Dr Lin Yucheng**  
*Group CEO & Executive Director*

# Tapping on Greater Growth Potential

As the water treatment industry in China continues to grow and the central government placing greater emphasis on the environmental sector, CEL is keen to expand its market foothold and seize new opportunities for sustainable development. Memstar, our wholly-owned subsidiary, recently opened a new innovation centre and membrane production facility in Singapore to meet the increase in demand for membranes. The facility will help build on our established brand and expertise in membrane, as well as enhance our research and development capabilities.







# Board of Directors



**Mr Hao Weibao**  
*Executive Chairman*

HAO Weibao is the President and Vice Chairman of CITIC Environment Investment Group Co., LTD. He is responsible for the day-to-day management of the company and the effective implementation of corporate strategies and policies. He concurrently also serves as the President of CITIC Investment Holdings Limited. 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, UEL 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 5 million m<sup>3</sup>/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 Ph.D 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 Vice President and Chief Financial Officer of CITIC Environment Investment Group Co., LTD and 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 almost 20 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 General Manager of Investment Department 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 Bi Jingshuang

*Non-Executive Director*

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



## Mr Yeung Koon Sang alias David Yeung

*Lead Independent Director*

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

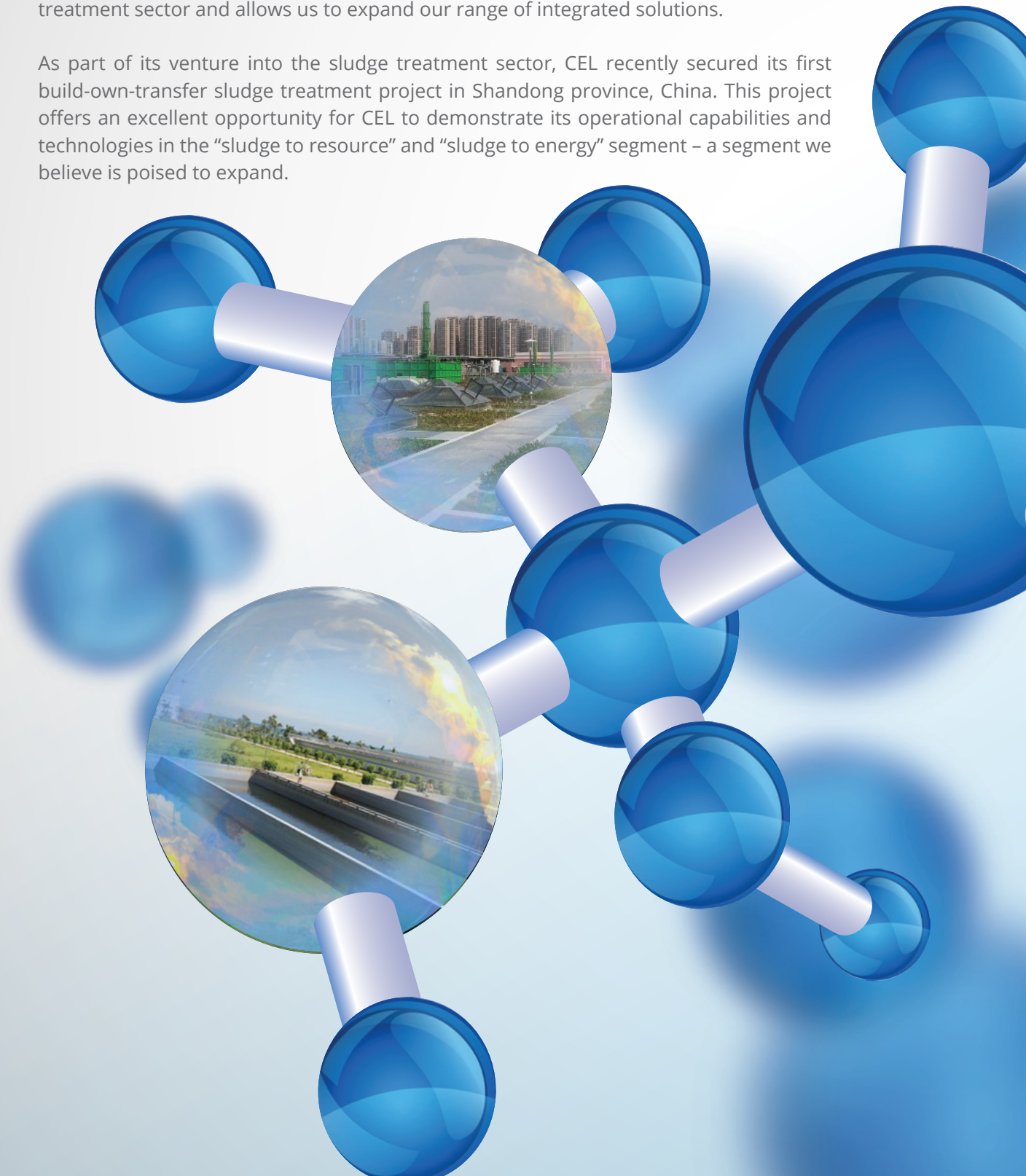
Mr Lee Suan Hiang, a Colombo Plan Scholar in Industrial Design (Engineering), had a varied career in public service as Deputy Managing Director of the Economic Development Board and Chief Executive of SPRING Singapore, National Productivity Board, Singapore Institute of Standards and Industrial Research 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.



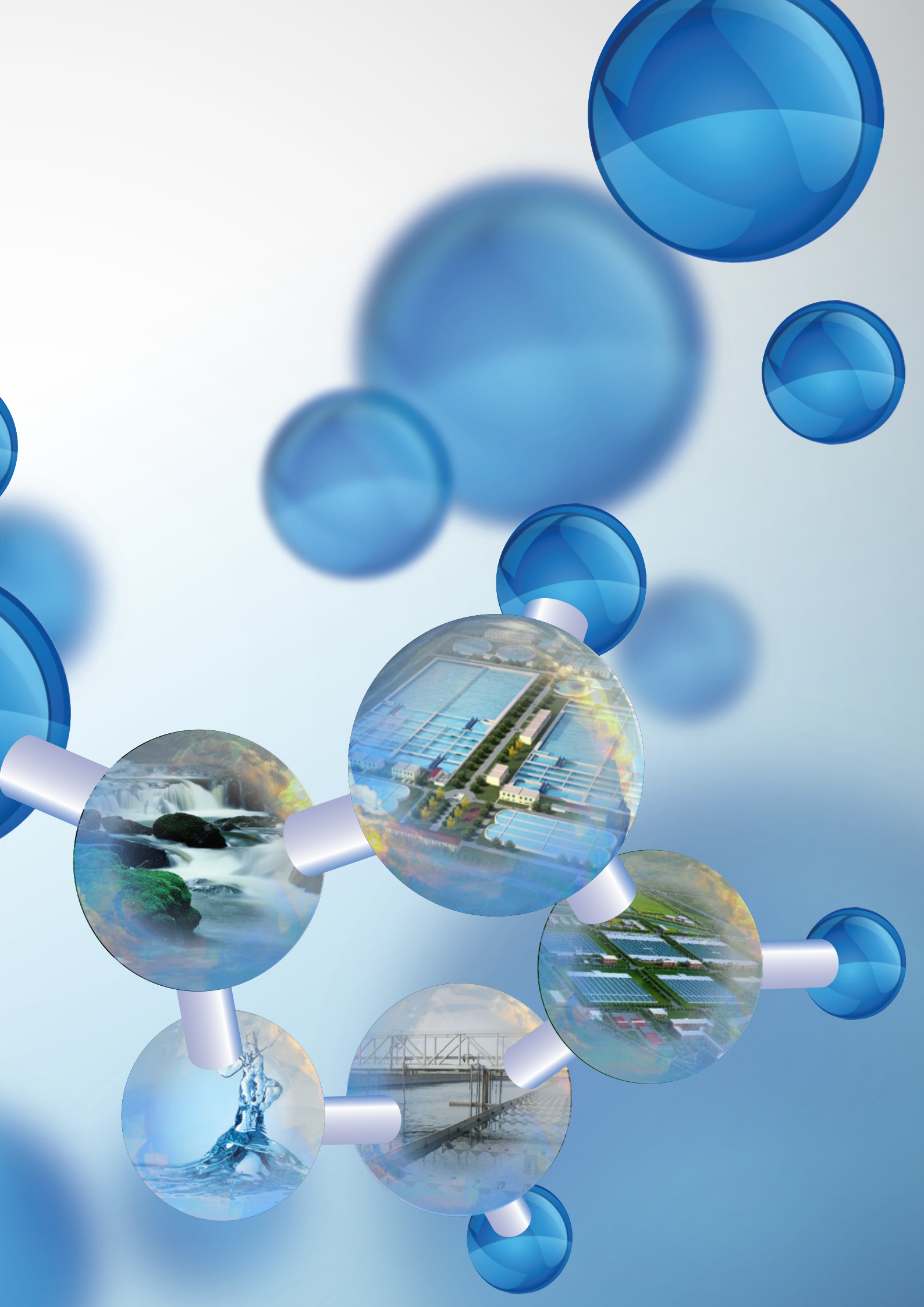
# Investing in Innovation, Generating Opportunities

At CEL, we believe that the key to success in the water industry is to keep moving forward with a plan and a purpose; which is why we are committed to strengthening innovation on technology through strategic investments. China's stewardship of natural resources and environmental protection provides us with prospects beyond the water and wastewater treatment sector and allows us to expand our range of integrated solutions.

As part of its venture into the sludge treatment sector, CEL recently secured its first build-own-transfer sludge treatment project in Shandong province, China. This project offers an excellent opportunity for CEL to demonstrate its operational capabilities and technologies in the "sludge to resource" and "sludge to energy" segment – a segment we believe is poised to expand.









# Senior Management



Left to right: Dr Lin Yucheng, Ms Pan Shuhong, Dr Ge Hailin, Mr Wang Ning, Mr Li Li

## Dr Lin Yucheng

### *Group Chief Executive Officer*

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## 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 the 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.



Left to right: Mr Tan Huchuan, Dr Chong Weng Chiew, Dr Jerry Liu, Mr Ngoo Lin Fong, Mr Steven Qian Zhengjun, Dr Fangyue

### **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 PH.D in Environmental Engineering.

### **Mr Ngoo Lin Fong**

*Chief Financial Officer*

Mr Ngoo is responsible for the planning and management of the Group's financial and accounting operations. Prior to joining the 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 operation 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” or “CEL”) 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 year ended 31 December 2016, 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 and 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 year ended 31 December 2016 and the attendance of each director, where relevant are as follows:-

	Board	Audit Committee	Nominating Committee	Remuneration Committee
No. of Meetings	4	4	1	1
No. of Meetings attended by the respective directors				
Mr Hao Weibao	4	N/A	–	N/A
Dr Lin Yucheng	4	N/A	1	N/A
Mr Zhang Yong	4	N/A	–	N/A
Mr Wang Song	4	N/A	–	N/A
Mr Yeung Koon Sang alias David Yeung	4	4	1	1
Mr Tay Beng Chuan	4	4	1	1
Mr Lee Suan Hiang	4	4	1	1
Mr Zhao Fu (resigned on 27 April 2016)	2	N/A	1	1
Mr David Haifeng Liu (appointed on 27 April 2016 and resigned on 16 November 2016)	2	N/A	–	–
Mr. Bi Jingshuang (appointed on 17 November 2016)	–	–	–	–

# Corporate Governance Statements

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.

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## ***Principle 2: Board Composition and Balance***

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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
- (vi) Mr Wang Song, Executive Director
- (v) Mr Yeung Koon Sang alias David Yeung, Independent Director
- (vi) Mr Tay Beng Chuan, Independent Director
- (vii) Mr Lee Suan Hiang, Independent Director
- (viii) Mr Bi Jingshuang, 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.



# Corporate Governance Statements

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.

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### ***Principle 3: Chairman and Chief Executive Officer***

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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.

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### ***Principle 4: Board Membership***

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The Nominating Committee ("NC") comprises four 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 and 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; and
- (d) To evaluate the performance and effectiveness of the Board as a whole.

# Corporate Governance Statements

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 requires 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.

Mr Zhang Yong, Mr Wang Song and Mr Lee Suan Hiang 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 Bi Jingshuang, a director appointed during the year will be retiring at the forthcoming AGM pursuant to the requirements of Article 97 of the Company's Constitution and have indicated that he wishes to seek re-election as a director of the Company. Article 97 provides that any newly appointed director during the year must retire at his first Annual General Meeting.

The Nominating Committee has reviewed and is satisfied with the contribution and performance of each of the directors retiring at the forthcoming Annual General Meeting 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.

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## ***Principle 5: Board Performance***

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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.

# Corporate Governance Statements

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## ***Principle 6: Access to Information***

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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 Howath First Trust) separately, without the presence of management at least once a year.

## **REMUNERATION MATTERS**

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### ***Principle 7: Procedures for Developing Remuneration Policies***

### ***Principle 8: Level and Mix of Remuneration***

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

- Mr Lee Suan Hiang, Chairman and Independent 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.

# Corporate Governance Statements

## Principle 9: Disclosure on Remuneration

A breakdown showing the level and mix of each individual director's remuneration payable for FY 2016 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	59	41	–	1,020
Mr Zhang Yong	100	–	–	80
Mr Wang Song	–	–	–	–
Mr Yeung Koon Sang alias David Yeung	–	–	100	86
Mr Tay Beng Chuan	–	–	100	86
Mr Lee Suan Hiang	–	–	100	86
Mr Bi Jingshuang	–	–	–	–

Mr Hao Weibao, Mr Wang Song and Mr Bi Jingshuang did not receive any fees or remuneration for the financial year ended 31 December 2016.

Of the remunerations of the top five management personnel who are not directors or the Chief Executive Officer of the Company for the financial year ended 31 December 2016, the following are the remunerations breakdown of the 5 executives:-

Remuneration Band (\$)	Number of Executives
750,000 to 1,000,000	1
500,000 to 750,000	2
250,000 to 500,000	2
Total	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 2016 is \$2,801,294.

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 have 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.



# Corporate Governance Statements

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## ***Principle 11: Risk Management and Internal Controls***

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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, compliance and information technology controls and risk management systems of the Company 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 89 to 95 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 year ended 31 December 2016 to give a true and fair view of the Company's operations and finances;
- (b) Material information relating to the Company was disclosed on a timely basis for preparing the financial statements;
- (c) The Company's internal control and risk management systems were effective at the end of the financial year; and
- (d) The Board, with the concurrence of the Audit Committee, is of the opinion that there are adequate internal controls and risk management systems to meet the financial, operational and compliance risks of the Group in its current business environment.

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## **Principle 12: Audit Committee**

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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; and
- (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 Dongguan Huache Low Carbon Environmental Industry Park Management Co., Ltd., which are audited by Ruihua Certified Public Accountant, PRC, and Dong Wan Shi Hai De Certified Public Accountants, 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 year, non-audit fee of \$163,189 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.

# Corporate Governance Statements

Significant matters	How the AC reviewed these matters and what decisions were made
Revenue recognition	<p>The AC considered and reviewed the reasonableness of the assumptions and key management estimates adopted where revenue recognition requires the exercise of judgement.</p> <p>The revenue recognition review was also an area of focus for the external auditors. The external auditors have included this item as a key audit matter in their audit report for the financial year ended 31 December 2016.</p>
Impairment of assets – goodwill, intangible assets and service concession receivables	<p>The AC considered the approach and methodology applied to the valuation model in the impairment assessment of goodwill, intangible assets and service concession receivables, as well as the assessment for indicators of impairment of these assets. It reviewed the reasonableness of cash flow forecasts, the long-term growth rate and discount rate.</p> <p>The impairment review was also an area of focus for the external auditors. The external auditors have included this item as a key audit matter in their audit report for the financial year ended 31 December 2016.</p>
Collectability of and impairment allowances for receivables	<p>The AC considered and reviewed the reasonableness of the assumptions and key management estimates adopted where the impairment requires the exercise of judgement.</p> <p>The collectability of and impairment allowances for receivables review was also an area of focus for the external auditors. The external auditors have included this item as a key audit matter in their audit report for the financial year ended 31 December 2016.</p>

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## ***Principle 13: Internal Audit***

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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**

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***Principle 14: Shareholder Rights***

***Principle 15: Greater Shareholder Participation***

***Principle 16: Conduct of Shareholder Meetings***

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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.

# Corporate Governance Statements

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](http://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.

The Company has declared a final dividend for the year ended 31 December 2016. 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 was no material contracts entered into by the Company or any of its subsidiaries involving the interest of the CEO, any Director, or controlling shareholder.



# Corporate Governance Statements

## INTERESTED PERSON TRANSACTIONS

### Relationship with ultimate substantial shareholder

- 1.1 CEL's ultimate substantial shareholder is the Ministry of Finance of the People's Republic of China ("MOF") which owns 100% of CITIC Group Corporation Ltd ("CITIC Group"), a state-owned enterprise ("SOE").
- 1.2 Under the Fourth Schedule to the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 ("SFR"), a "controlling shareholder" is "a person who has an interest in the voting shares of the corporation of an aggregate of not less than 30% of the total votes attached to all voting shares in the corporation, unless he does not exercise control over the corporation".
- 1.3 However, under section 239 of the Securities and Futures Act ("SFA"), "control" is defined as the capacity of a person to determine the outcome of decisions on the financial and operating policies of the entity concerned. The definition does not consider as "control" any capacity of a person to influence decisions on the financial and operating policies of the entity if such influence is required by law or under any contract or order of court to be exercised for the benefit of other persons.
- 1.4 Based on the above, CITIC Group is a controlling shareholder of CEL and, technically, the MOF is also a controlling shareholder of CEL unless it can be shown that its influence on the financial and operating policies of CEL arises by virtue of the law of the People's Republic of China ("PRC").

### The relationship between MOF, CITIC Group and CEL

- 1.5 CITIC Group was established by the MOF in 1979 as a SOE. It was subsequently corporatised in 2011 as a limited company pursuant to the Company Law of the People's Republic of China ("PRC Company Law").
- 1.6 The MOF is the designated representative of the State Council of the PRC. As the sole shareholder of CITIC Group, it is responsible for fulfilling the investor's responsibilities of CITIC Group on behalf of the State Council of the PRC. Pursuant to the Law of the People's Republic of China on the State-Owned Assets of Enterprises ("PRC SOE Law") and the PRC Company Law, the MOF was given the authority to determine the investment strategy and financial policy of CITIC Group and is responsible for making significant financial decisions such as those involving restructuring, the issuance of registered capital, or the transfer of state-owned assets.
- 1.7 As far as we are aware, the extent of the MOF's influence on CEL is only to the extent of its influence on CITIC Group under the PRC SOE Law and the PRC Company Law.
- 1.8 Based on the above, the MOF is not considered a controlling shareholder of the Company for the purposes of the SFA and the SFR as its influence and control over CITIC Group is required by and derived from the PRC SOE Law and the PRC Company Law to be exercised for the benefit of the State Council of the PRC. Accordingly, the MOF and its associates are not considered interested persons of CEL under Chapter 9 of the Listing Rules of the Singapore Exchange Securities Trading Limited ("SGX-ST Listing Rules"), and the interested person transaction requirements under the SGX-ST Listing Rules do not apply to them.

### Procedures for interested person transactions

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

### Interested person transactions for FY2016

The Company does not have a general shareholders' mandate for recurrent interested person transactions. The aggregate value of interested person transactions entered into during FY2016 under review in excess of S\$100,000 is as follows:-

Name of interested persons	Aggregate value of all IPTs during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) (S\$)	Aggregate value of all IPTs conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
CITIC Finance Company Limited	619,268	Not Applicable
Dr Lin Yucheng	21,711,750	Not Applicable

# Corporate Governance Statements

## USE OF PROCEEDS

The company completed an issuance of USD180 million of Senior Perpetual Securities during the financial year.

	S\$ million
Unutilised balance brought forward	257
Net proceeds from issuance of Senior Perpetual Securities	240
Investment in joint venture company	
- Beipai	(7)
Investment in water projects	
- Zaozhuang	(8)
- Fuqing and Shaxian	(28)
- Chaonan Shantou	(64)
- Rudong	(29)
- Yixin river restoration	(48)
Investment in membrane facilities	(16)
Investment in hazardous waste and sludge treatment projects	
- Changyi sludge	(10)
- Rizhao	(12)
Repayment of bank loans	(81)
Redemption of medium term notes	(99)
Total unutilised balance	95

# Environmental and Social Impact

With CITIC Environment Investment Group as its major shareholder, CEL has expanded its blueprint for growth. The strong business and financial network, influence and geographical presence of CITIC Limited spur the leadership team to set its vision to be among the top China environmental solution providers within three to five years. We started 2016 with aggressive growth goals, charting a multifaceted strategy around expanding business scope, extending geographical footprint and synergistic acquisition of technology and competency.

## 1. Corporate Philosophy and Operational Policy

The leadership and management team at CITIC Envirotech has been with the business since the founding of the company. Together with our employees, we are a team of dedicated environmental scientists and technologists with an entrepreneurial spirit. There is both personal and corporate agreement that we have a duty to bring innovative solutions that prevent, reduce or mitigate environmental degradation; and deliver sustainable value to all stakeholders. In our investment decisions, plant operation and project execution, we seek to practice our policy commitments daily, which is:

“Proactive Compliance, Safe operation and production, Sustainable value for all stakeholders”.

## 2. Purpose and Scope

This section of our annual report provides a general view of our business operations, operational risks and a snapshot of environmental and social management performance in 2016. As the bulk of the company's assets are in China, most of the environmental and occupational health and safety data are reported. Apart from its head office function, the company operates a membrane manufacturing facility in Singapore. The subsidiaries in Malaysia and Indonesia (newly incorporated) are mainly involved in EPC projects. Where relevant and significant, operational data in Singapore and Malaysia have been included. Performance of suppliers and contractors are excluded in this reporting period.

As a public company listed on the Singapore Stock Exchange, we are aware of the mandate to provide a more comprehensive sustainability report beginning in year 2018. The Board and management team will be conducting a review of the group's activities throughout 2017, with the view to fully comply with SGX listing Rules 711A & 711B.

## 3. Overview of Opportunities and Risks

CEL's operation consists of three main business segments, ie, Engineering Procurement and Construction (EPC), investments and operating of water treatment utilities, and design, manufacturing and sales of membrane products and related services. The EPC division undertakes projects for external clients as well as the building and construction of CEL's own BOT projects. The membrane products are manufactured for use in both internal and external projects.

### 3.1 Risk Assessment Approach

For new investments, the company conducts due diligence and take into considerations a wide range of factors, including environmental, safety and governance compliance in actual operation, process engineering design, integrity of plant and equipment, and personal conduct of key management personnel. There are internal Investment Review Committee and Technology Review Committee to challenge and evaluate opportunities. The committees provide oversight with regards to financial and operational risks, and work across business and functional teams to ensure adequate consideration for control and mitigation measures.

The company has in place risk assessment procedures for operational activities. Each unit, including plants and projects, documents its own initial risk profile using the specified methodology. Thereafter, risk profiles are updated whenever there are changes to facility, technology and process. In the case of minimal change, there is a compulsory review once a year. The following is a summary of the risks identified by business segments.

## 3. Overview of Opportunities and Risks (cont'd)

### 3.2 Summary of Risk Assessment for Water Treatment Operation

#### A1. Occupational Health and Safety

Facility related risks include events such as flooding of collection tanks, power failure, fire and explosion. Flooding can be due to climate change factors, severe local weather conditions, or due to unauthorized waste streams coming into the collection systems. Power failures can be caused by short circuit or tripping of machines, and local government imposed power rationing exercises. Fire and explosions can happen due to improper storage, use and reaction of chemical substances and flammable materials.

Plant personnel needs to access manholes and underground tanks in some job activities. Due to the presence of toxic fumes and substances, such exposure could be fatal if appropriate control measures are not taken. There are potentials for physical bodily injuries from operating cranes, lifting devices, high-pressure presses and other machinery.

The potential for other physical illness and injuries include slips, trips and falls, occupational illnesses such as hearing impairment, respiratory health and skin diseases.

#### Current Control in Place

Each plant is required to establish and periodically test an emergency preparedness and response procedure, including evacuation, safe shut down and start up. An emergency scenario drill is conducted at least once a year. In a few plants, the drills are conducted with the participation of local emergency services, such as fire brigades. Based on such drill feedback, response procedures are upgraded. There is 24-hour patrol at the plant to ensure safety and security, as well as unauthorized dumping of wastewater into the plant collection systems.

The operating manual contains safe work instructions for entry into confined spaces, energy isolation, lifting and work at heights, chemical storage and use, including personal protective equipment needed for various job activities. On the job training through buddy system for new employees is the usual practice adopted by most plants. Employees working in critical jobs, which require re-certifications and permits, maintain their qualification and competence through registered training organizations periodically.

Majority of the company operated plants have dual circuit power supply, such that in case one circuit fails, the other will continue to provide power. In future upgrading, the company intends to convert all plants to operate on dual circuits. However, this requires co-investment from customers and local government. The central control systems on local server and computers are fitted with UPS. In case of any power disruptions, critical operating data can be saved.

Quarterly HSE reviews are conducted by both plant supervisors and second-party personnel. Each plant's HSE score and performance are tied to the annual variable performance bonus of operation teams. This provides incentive to improve workplace safety and health performance on a continual basis.

#### Mitigating Control

In the acquisition, upgrading and design of wastewater plants, there is a general provision for over-capacity, due to the projection of long-term needs. This provides excess water or wastewater holding capacity, and provides short-term relief during flooding or sudden influx of unauthorized waste streams. In such situations, it buys time for plant personnel and technical teams to identify sources of the unauthorized dumping, characterise the waste streams and to find appropriate ways to treat the wastes prior to discharge. If the unauthorised sources of dumping can be identified, it is possible to seek financial compensation by working with the local environmental enforcement agencies. This helps to offset the costs incurred for damage repairs to plant and equipment, and for treatment expenses.

All plants meet local government requirements for fire protection systems. There is a regular inspection, testing and maintenance program in place.

There is general facility and workmen compensation insurance coverage. In case of plant damage and personnel injuries, insurance payouts can cushion the financial impact. Employees are provided with assistance for medical and hospitalization needs, and given time to return to work.

We conduct annual reviews of our workplace safety and health management program for continual improvement. Workplace safety and health is one of the core values of the company and its leadership team.



# Environmental and Social Impact

## 3. Overview of Opportunities and Risks (cont'd)

### 3.2 Summary of Risk Assessment for Water Treatment Operation (cont'd)

#### A2. Environmental and Social Impact

Many people associate wastewater treatment plants with odour, noise and other forms of pollution. As such, people are sensitive about land in their surrounding being used for building wastewater treatment facilities, since there is expected impact on real estate prices. People may also have preferences for alternate use of the land.

In its operations, it is possible (though unlikely) that treatment processes or indeed the whole plant might fail; or that the incoming wastewaters are different from design conditions, this could lead to discharging untreated or inadequately treated sewage or industrial wastewater to the general environment.

The water quality of receiving water bodies for treated water or accidental discharge of untreated water may be affected, which may alter its use and ecology.

#### Current Control in Place

The company has many years of experience in the water industry, and has a strong team of personnel with local network and technical expertise, both internal and external. In identifying targets for investment, screening is done to rule out unacceptable candidates.

The company undertakes a general review of environmental and social impacts. This includes visiting the physical location of the plants, verifying wastewater sources, inlets and discharge points, and the receiving water bodies. Due diligence studies reviewing the local environment and ecology, land use planning, wastewater sources, treatment technology and state of plant and equipment are usually conducted by 3rd party technical experts. In seeking approvals for investments, acquisitions and other business decisions, social and environmental risks are highlighted to the Board and duly considered.

The company has an External Communications policy in place. The policy states that only appointed spokesperson(s) can speak to external interested parties such as government bodies, enforcement agencies, mass media and the general public about HSE matters. The Executive Director – Corporate Affairs or the CEO, must approve any data or information to be released to the mass communication media.

Where we have strong local government support, we have been successful in bringing innovative technological solution to the table, such as building treatment plants underground, like our hallmark project, JingXi plant in Guangzhou. In keeping with environmental requirements, all our plants are landscaped to create positive visual impact.

All plants have in place critical control processes and emergency preparedness and response procedures. Incoming and outgoing water is either automatically or manually sampled and tested for key discharge quality parameters round the clock. This is in compliance with environmental regulations. When there are abnormalities being detected, these are reported to managers who will determine its severity and potential impact. The manager in charge will report the abnormalities to the local environmental enforcement agency, record details of the occurrences, and especially to obtain written consent for follow up actions. Such written consents either shield the company from liability or reduce the risk.

Daily monitoring of treatment volume and water quality allows good prediction of any increase in volumes and changes in water quality. In many cases, this allows us to develop business case for the local government to re-invest with us to upgrade technology and facility to meet new demand and more stringent discharge standards. This effectively turns risks into opportunities.

In every area where we operate, it is a conscious strategy to establish good rapport and open communication with local governmental agencies, business partners, suppliers, contractors and employees. We regularly support local social causes and community events, such as donations to crisis relief, sports and technological initiatives to improve the general environmental quality.

## 3. Overview of Opportunities and Risks (cont'd)

### 3.2 Summary of Risk Assessment for Water Treatment Operation (cont'd)

#### A3. Compliance to Environmental Legislation

Environmental legislation is constantly changing, and becoming more stringent. As treatment plants become older, they may not be able to meet the ever-stricter discharge standards. Incoming wastewater might change and require different treatment technology and processes. For example, there may be industrial wastewater being mixed with domestic wastewater or unauthorized dumping in the inflow.

##### Current Control in Place

Commitments to comply to discharge standards are included in the concession agreements for each plant. When there are changes to such requirements, negotiations are held to reach a reasonable time frame to upgrade facility or change treatment processes. The engineering works can be carried out by the EPC division. Design and treatment process technology can be done in-house.

The company is proactive in the routine monitoring of all plants' water quality. It keeps an open approach in communicating with local enforcement agencies routinely, not just when there are troubles brewing. Operation teams in various plants report weekly and monthly activities, and operational performance metrics such as water quality, energy consumption, chemical consumption, maintenance, breakdowns and so on. Monthly analysis and review of operational performance metrics are carried out, and allows for early detection and correction of any issues.

##### Mitigating Control

Written consent for allowable temporary or interim control measures can be obtained from local environmental agencies in special situations. Such temporary permits reduce the company's liability. This may include holding facility, partial treatment, adding pre-treatment before wastewater enters into the plant and so on. Daily communication with local stakeholders will be done to keep them informed of the progress.

### 3.3 Summary of Risk Assessment for EPC Operation

In the execution of EPC contracts, the company subcontracts design and construction works to qualified and competent third parties. The EPC segment undertakes overall responsibility for project management and procurement of services and equipment to fulfill customer requirements. The customers can be either internal (for BOT, BT, plant upgrading projects) or external (industrial parks, local government and etc).

#### B1. Engineering Design

The siting, location, land use and environmental planning constraints and such information are not transparent or easily obtainable. While municipal sewage wastewater is of predictable quality, industrial trade effluents are directly influenced by types of industries and vary greatly.

Design teams may not accurately provide for local site and weather conditions, or allow sufficient latitude for variation in incoming wastewater quality. This may result either in delays in construction schedule, or failure to commission and handover plants; or in the worst scenario, operating under non-compliant conditions. This will impact earnings, profitability and sustainability of the company.

##### Current Control in Place

The company engages well known and established design institutes as strategic partners. These design institutes typically have strong technical expertise, local knowledge, understanding of legislation and requirements, proven process technology for wastewater treatment. The company has its own internal technical team, who can review designs to ensure that customers and/ or operating requirements can be met.

The company has internal R&D capability in the Technology and Application Centre with a growing strength in capability and mastery of the latest available process technology and experience so that it can continue to innovate and take advantage of the latest developments.

# Environmental and Social Impact

## 3. Overview of Opportunities and Risks (cont'd)

### 3.3 Summary of Risk Assessment for EPC Operation (cont'd)

#### B2. Construction, Installation and Commissioning

Building and construction activities are subcontracted. Nevertheless, the company is exposed to risks in safety, quality, cost, schedule, procurement, contracts, and workforce management to list the main ones. These risks if not adequately controlled will affect the company's profitability, brand reputation and sustainability.

##### Current Control in Place

Most of these risks are transferred to the appointed main contractors. Standard contract terms require main contractors to have their own management processes and systems to minimize the risks. Payment terms and conditions require the main contractors to comply with expectations.

During procurement, safety and quality specifications are specified. Contracts include such technical details and equipment service and warranty, including proof in use of critical features. Project Managers and project coordinators closely supervise and monitor progress of works on site.

For commissioning and trials, there is an internal team who will verify that systems have been built and operate per agreed designs. Commissioning and test results are necessary to obtain environmental and operating permits for the completed plants.

### 3.4 Summary of Risk Assessment for the Design, Manufacture and Sale of Membrane Products

Our membrane business activities are mainly carried out in Singapore and China. The material Research & Development, product design and fiber production activities are located in Singapore. The product modules and assembly are carried out in Mianyang and Nantong Cities, China.

The key risks in our membrane operation are rejects or inferior products, shortage of critical manufacturing materials, and resources such as power, water and skilled labour. We outsource product delivery to external suppliers; and may be vulnerable to variation in delivery service quality.

#### C1. Workplace Safety, Health and Environmental Compliance & Management

Like all manufacturing business, our membrane production facility must comply to workplace safety, health and environmental legislation, which varies based on national and local requirements. These legislation include occupational health and safety of personnel; safety and security of facility, machinery and technology; product safety and environmental aspects.

##### Control and Mitigation

For our production facilities in China and Singapore, apart from legal compliance, we have implemented operation management systems in accordance to international standards, such as ISO 9001, ISO 14001 and BS OHSAS 18001, and are accredited. This approach ensures that there are internal and external management and control processes to continually maintain and improve practices and performance.

All plants meet local government requirements for fire protection systems. There is a regular inspection, testing and maintenance program in place. There is general facility and workmen compensation insurance coverage. In case of plant damage and personnel injuries, insurance payouts can cushion the financial impact. Employees are provided with assistance for medical and hospitalization needs, and given time to return to work.

### 3. Overview of Opportunities and Risks (cont'd)

#### 3.4 Summary of Risk Assessment for the Design, Manufacture and Sale of Membrane Products (cont'd)

##### C2. Supply of Key Manufacturing Materials, Resources and Services

In manufacturing our membrane fibers and module components, we depend on our material and part suppliers for high quality ingredients, materials and utility services with reliable and flexible availability at competitive cost. In the selection of our manufacturing locations, the proximity, availability and sustainability of the supply chain, product distribution network and support are given high priority. We consider the service quality and costs of utility such as power and water as essential, to ensure that we can meet production and product delivery expectations of customers.

##### Control and Mitigation

The locations of our manufacturing plants, current and future, take into consideration accessibility to raw material suppliers, government policies and tax incentives, political environment as well as general economic developments. In the procurement of manufacturing materials, we ensure that there are multiple sources to ensure cost competitiveness, reliable quality and availability.

##### C3. Intellectual Property, Technology and Skilled labour

We have located our product R&D Centre in Singapore for better protection of intellectual property and proprietary processes. Being a water technology hub of Asia, Singapore attracts industry leading talent in water science, technology and policy. This ensures a sustainable pool of skilled labour, scientists and research resources to support our growth strategy as a technology driven business.

By tapping into Singapore government incentives and programs such as productivity and innovation credit scheme, and various corporate incentives, Memstar continues to deliver superior and market competitive products for our customers.

#### 3.5 Critical or Crisis Events

The company considers events such as workplace related fatality, work or plant stoppage by government authorities, acts of terrorisms, and natural catastrophes as critical events.

##### Current Control in Place

To address these possibilities, the company has established a Critical Event Management Committee, consisting of the CEO, Executive Vice President - Board Office, Senior Vice Presidents, and the CFO.

In the absence of the CEO, the Executive Vice President - Board Office will chair the Committee to outline both immediate and subsequent actions required till the crisis event is brought under control. The Committee will provide guidelines to address mass media to ensure factual reporting, and issue communication guidelines to employees. Where applicable, appointed company representatives will convene meetings with government authorities within 24 hours, and provide assurance of commitment. The Committee will ensure that an action plan agreed with all stakeholders is established, and followed through. The Committee may decide to seek external resources to act on its behalf as part of the contingency plan.

In case of any impact to company personnel and surrounding community, the Committee will ensure that immediate medical help are rendered, with the involvement of the local government where applicable.



# Environmental and Social Impact

## 3. Overview of Opportunities and Risks (cont'd)

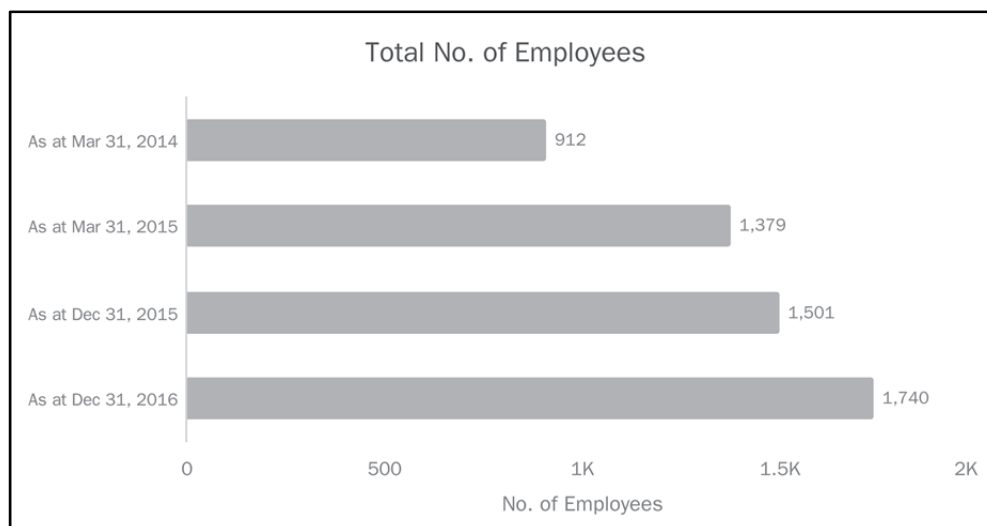
### 3.6 Human Resource

The company's continual success is highly dependent on a pool of talented leaders, managers and key employees. Personnel risks include poaching by competitors, fatigue, accidents and illnesses, employment disputes, information leaks or theft. In addition, the entrepreneurial founders and directors of the company also face risks related to finance, continued ability to work, ownership and power sharing conflicts, work-life balance etc. There is a potential of losing critical level of leadership and core competency in order for the company to continue operation.

#### Current Control in Place

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. For skilled engineers and operations personnel, annual cash bonuses are awarded.

In line with its accelerated growth strategy, since late 2015, the company has been fine-tuning its organizational structure to improve timeliness in deal closing and effective execution. There are now five business units, operating parallelly, with total number of employees exceeding 1,700. Each business unit is headed by a SVP, all of whom have substantial business, technology and management experience. This significantly reduces the risks associated with any single individual and increases its core competency to continue growth momentum.



We believe in order to retain key employees and attract millennials to grow with the business, there is a need for attractive remuneration in line with individual as well as team contribution; challenging goals and a variety of career path. The five business units open many more options for growth and advancements. The teams are actively adding strategic talent in business development, technology and management. The functional teams such as R&D, technology application, procurement, finance, human resource and investor relations continue to be centralized, with Singapore as the head office.

# Environmental and Social Impact

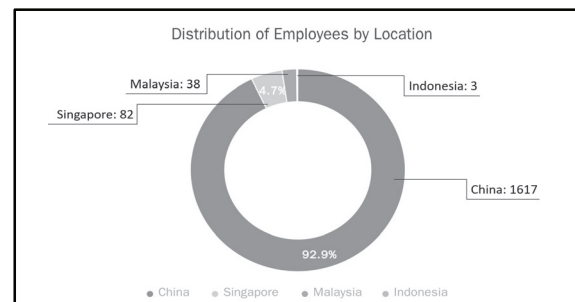
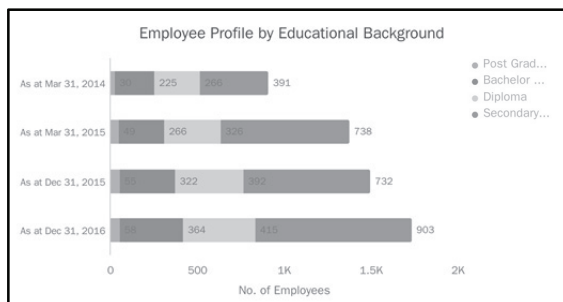
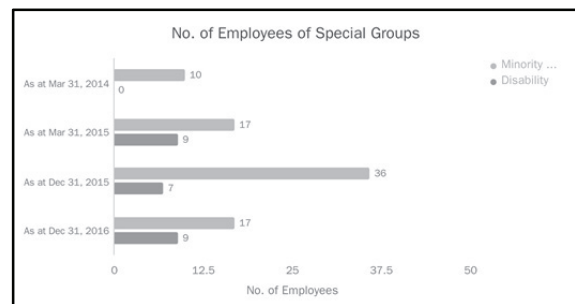
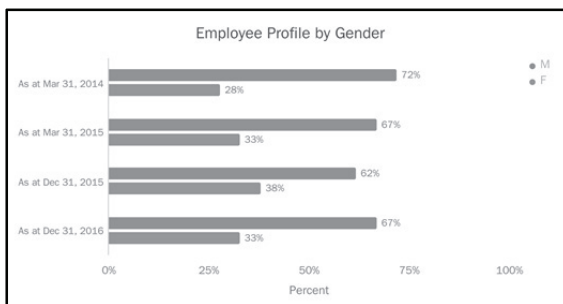
## 3. Overview of Opportunities and Risks (cont'd)

### 3.6 Human Resource (cont'd)

#### Current Control in Place (cont'd)

To ensure there is effective communication and leveraging of knowledge, experience and strategic resources, there are internal cross-business and cross-functional committees to review decisions in investment, technology, M&A, engineering design and employee benefits, rewards and recognition.

The company believes in equal opportunity and is against any form of discrimination, such as gender, race, religion, age, sexual orientation and disability. In recruiting, evaluating performance and rewards, the focus is always on individual and team ability, capacity and willingness to contribute and potential for growth, especially over time.

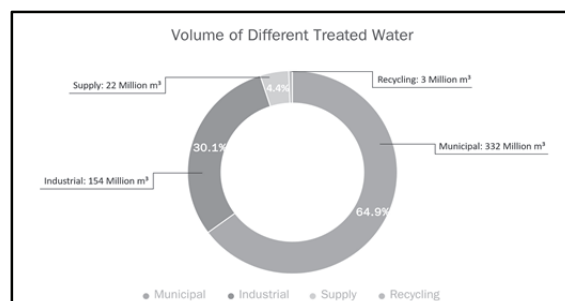
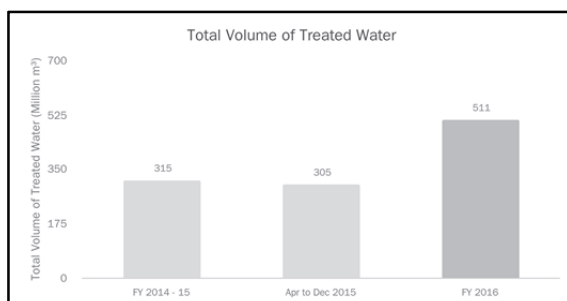
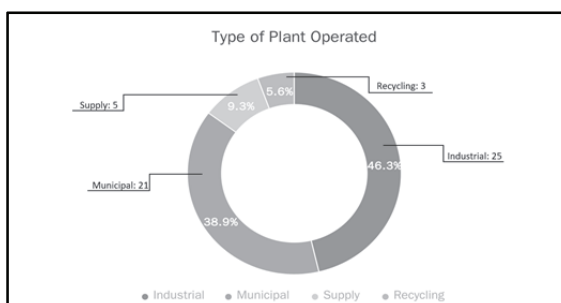
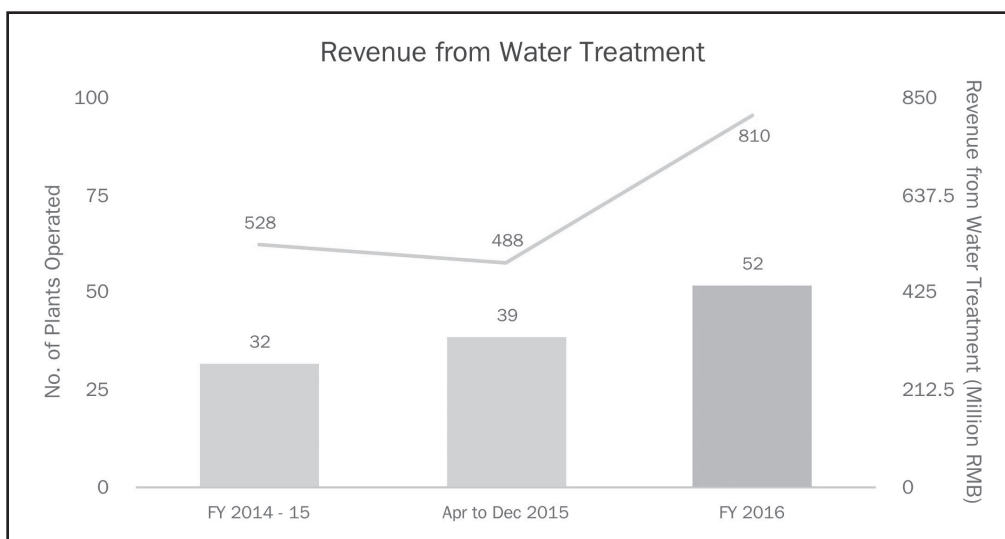


# Environmental and Social Impact

## 4. Year 2016 Operation Review

CEL experienced rapid growth in all three business segments in 2016. From operation perspective, this meant an increase in number of employees and jobs, water plants, production facilities and EPC projects. As we are in the business of preventing and reducing environmental pollution, it is our pride that our technological solutions continue to reduce potential burdens to the environment and improve the quality of lives of communities that we serve.

In 2016, the number of water treatment plants in operation increased to 52 plants. Subsequent to December 31, 2016, the company disposed of 3 plants in Heilongjiang Province. The total volume of water treated and supplied averaged 1.41 million m<sup>3</sup>/day. Water treatment and resource contributed to 31 % of the group's total revenue.



**The actual volume is not equal to volume generating income, due to the structure of concession agreements**

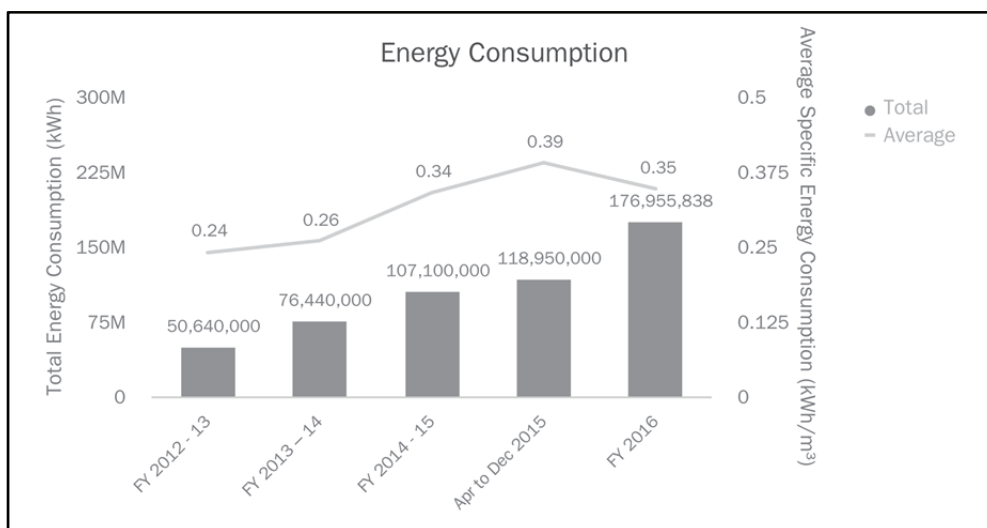
During the year, our plants removed a total of 704 tonnes of nitrogen and phosphorous compounds (calculated based on water quality tests) from incoming municipal and industrial waste streams. The total amount of sludge generated from our treatment plants during the year was 449,400 tonnes (dry weight basis). The sludge required treatment to ensure that any residual pollutants do not re-enter the environment. Our standard practice is to outsource the transportation, off-site treatment and burial of end-products to licensed solid waste operators locally.

# Environmental and Social Impact

## 4. Year 2016 Operation Review (cont'd)

With the completion of a sludge treatment plant in Shandong, we will be able to treat municipal sludge and turn the end products into fertilizers for agricultural applications. The plant started operation in late December 2016, with a capacity of 700 metric tonnes per day, and is currently the third largest such plants in the whole of China. We will continue to expand our investment portfolio over the next three years to undertake solid and hazardous wastes.

Our employees are committed to improving energy efficiency and mechanical integrity of plant and equipment. Through right sizing and fine tuning pumps, fans and motors to match operating load, with minimal investments, the plant personnel were able to reduce electricity bill by more than 3 Million RMB. These efforts will result in recurring savings. Energy conservation effort and higher plant loads resulted in lower average specific energy consumption during the year.



By implementing group bargaining and procurement, we could reduce chemical costs by 10% (about 85 Million RMB savings), relative to FY 2015. Efforts are on-going to review treatment processes, in-field laboratory tests and trials to ensure that we continue to meet stringent discharge requirements.

The membrane manufacturing business continued to expand. Towards the end of 2015, with the support of EDB Singapore, we moved into a bigger production facility in Kian Teck Drive. In China, in addition to the existing production in Mianyang, we began production in a leased facility in Nantong City, Suzhou. We have acquired land and started building a new production plant to meet demands as we position the business to go global. The production will move into the newly built plant by end of 2017.



Memstar Singapore conducted fire and evacuation drill after moving into new production facility in 2016.

International manufacturing of complimentary membrane products through joint venture and other means is also in active preparation. The joint ventures with Xinrong Group and Beijing Drainage Group continued to see healthy demand for our membrane products and application.

In our EPC operation, we implemented 32 on-going projects at various stages of works. By the end of the year, 18 projects were successfully completed, and 14 projects continued into 2017. Together they generated total revenue of more than 1530 Million RMB. Significant among these were newly won projects in river restoration and in solid wastes treatment.

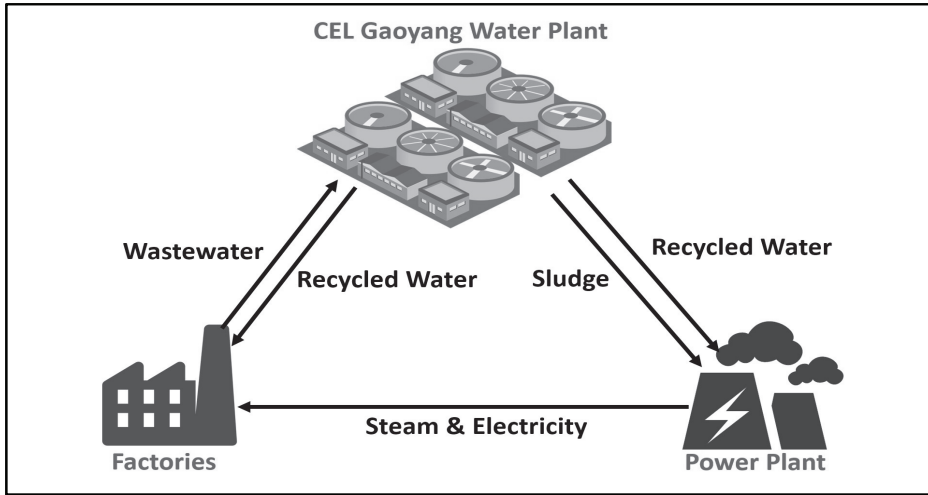


# Environmental and Social Impact

## 4. Year 2016 Operation Review (cont'd)

In 2016, we participated in a number of open bidding for PPP and EPC projects. These experiences showed that the Chinese water industry is getting extremely competitive, with many large Chinese-state-owned conglomerates venturing into environmental plays.

CITIC Envirotech's growth strategy to expand into solid and hazardous wastes, and to pursue large scale opportunities where we are able to influence decision makers to develop circular economic zones are key to our success in becoming a leading global environmental business.



*Gaoyang Circular Economy*

The success of the Gaoyang County Textile Industrial Park Circular Economy is an example, where CITIC Envirotech operates a waste water treatment and water reclamation facility. The waste water from both residential and its textile industries are channeled to the waste water treatment plants. With the application of MBR technology, the water can be reclaimed and re-supply to the textile industries and as boiler feedback to the power generation plant. When the sludge dewatering plant is fully operational, we expect the sludge might become a source of secondary fuel for the power plant.

### 4.1 Workplace Health, Safety and Environmental Management

In managing workplace health, safety and environmental aspects, we have consciously applied a risk-based approach, consistent with international standards, such as ISO 9000, ISO 14000 and BSI 18000 series of management system framework. In 2016, our manufacturing plants in MianYang SiChuan and Singapore were certified compliant to the three standards. CITIC Envirotech's fully owned EPC subsidiaries in Guangzhou and Tianjin continued to maintain their third party verified management systems.



*Memstar (Mianyang) ISO 14001, OHSAS 18001 and ISO 9001 Certificates*

# Environmental and Social Impact

## 4. Year 2016 Operation Review (cont'd)

### 4.1 Workplace Health, Safety and Environmental Management (cont'd)



Memstar (Singapore) ISO 14001, OHSAS 18001 and ISO 9001 Certificates



CEL (Guangzhou), CEL (Tianjin) - A decade of ISO 14001, OHSAS 18001 and ISO 9001 Certification Status

While not all of our business entities are certified by third party, we are progressively implementing internal HSE audit processes at EPC project sites, water treatment plants and production facilities.

Operation risks are reviewed annually, and whenever there are newly acquired business entities, newly awarded EPC projects, new products and production facilities. Due to the expanded business portfolio in sludge treatment and river restoration, we will continue to identify new risks and opportunities. Along with these, we are adding new process and product performance indicators, to understand and mitigate the risks in new businesses.

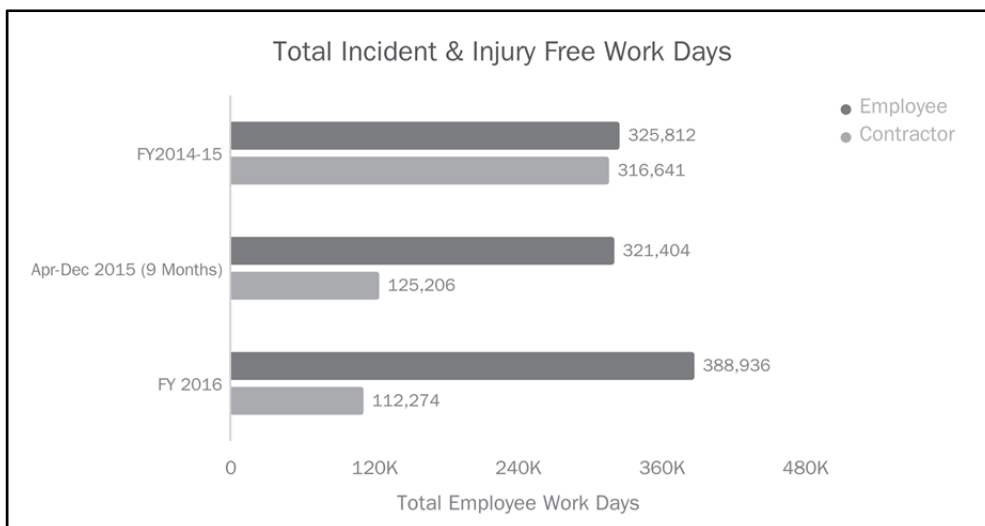
# Environmental and Social Impact

## 4. Year 2016 Operation Review (cont'd)

### 4.1 Workplace Health, Safety and Environmental Management (cont'd)

As environmental legislation is increasingly stringent and complex, it is part of our investment process to adequately address past, present and potential liabilities. Our due diligence teams consist of finance and legal, technology, operation and maintenance engineers. Other than financial and legal aspects, they look at use of technology, mechanical integrity of plant and equipment and any evidence of compliance and non-compliance. Where there are gaps, we actively influence partners and decision makers to upgrade designs and retrofit existing plants. This is an example of how we turn a risk into a viable business opportunity.

We are grateful to our employees and business partners for their support and participation in 2016, such that we achieved zero reportable injury and zero fines. However, we continue to be vigilant in operating our plants and facilities, as we have noticed that in response to more stringent enforcement by governmental agencies, there are more incidents of spikes in specific pollutants entering our collection networks. For industrial effluents, we are now separating incoming effluents at source with individually fitted pipes, metres and pollutant monitors.



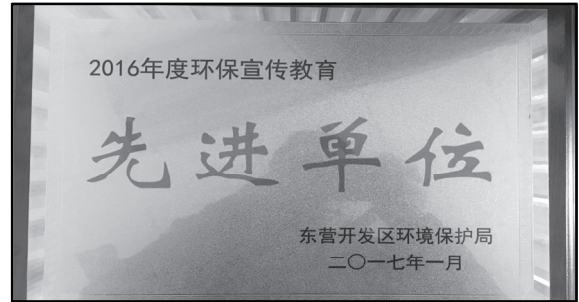
Throughout the year, our employees participated in safety training and communication such as hazard reporting, emergency drills and evacuation exercises for chemical spillage, fire and power failures, first aid, and reviews of operating procedures. These activities help to create awareness and engage employees in improving operational standard. In July, our Chinese employees implemented a full month of safety programs in support of China's State Administration of Workplace Safety's promotion campaign.

# Environmental and Social Impact

## 4. Year 2016 Operation Review (cont'd)

### 4.2 Our Social Responsibility

As a responsible corporate body, we support our employees in activities and programs that contribute positively towards better health, environmental improvements, arts and cultural development in their local community. Many of our employees participated in marking World Environment Day by cleaning up beaches and rivers, educating school children in water recycling and conservation, blood donations, volunteering at elder care centers and so on.



*Dongying Water Plant - Environment Protection Education*



*Wangtang Water Plant - Environment Protection Education, Hefei, China, May 2016*



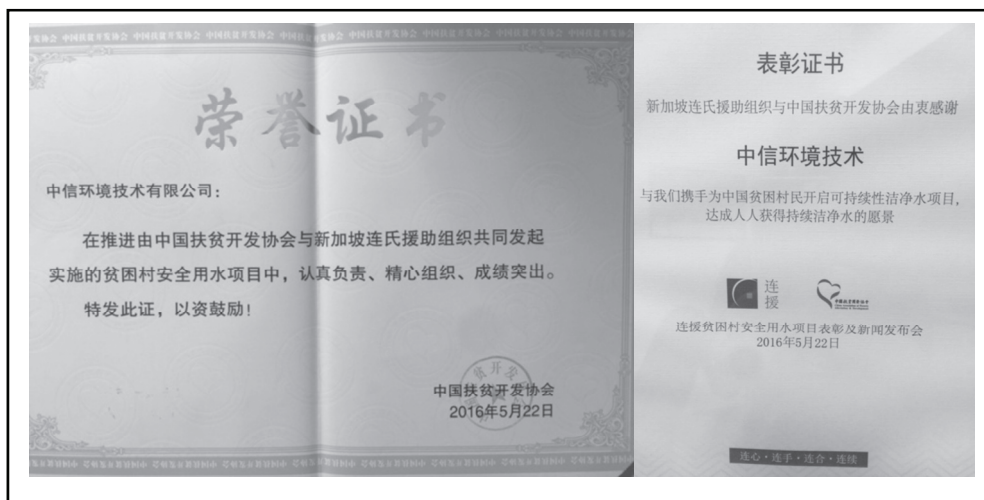
*Xintai Wastewater - 'World Environment Day' Campaign, June 2016*

# Environmental and Social Impact

## 4. Year 2016 Operation Review (cont'd)

### 4.3 Gift of Water

Since 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 social responsibility program. 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 the past three years, our employees participated in workshops to share knowledge in engineering design, project management and equipment maintenance.



*Recognition from China Association of Poverty Alleviation and Development and Lien Aid Singapore*



*Gift of Water Programme Implementaiton Village Managers Training Workshop, Chongqing, China, Nov. 2016*



# Environmental and Social Impact

## 4. Year 2016 Operation Review (cont'd)

### 4.3 Gift of Water (cont'd)

2015 Village	Location Province-Prefecture-County-Township	Breakdown of Beneficiaries			
		#Households	#Villagers	#Schools	#Students & Teachers
Daba	Guizhou-Zunyi-Chishui-Lianghekou	106	568	1	55
Tiantaishan	Guizhou-Zunyi-Chishui-Tiantai	222	154	–	–
Baoyuan	Guizhou-Zunyi-Chishui-Baoyuan	395	1,185	–	–
Lianhe	Guizhou-Bijie-Qianxi-Jinbi	193	740	–	–
Huangtian	Guizhou-Bijie-Qianxi-Wuli	387	1,916	–	–
Total		1,303	5,954	1	55

2016 Village	Total Population [# Minorities]	#Below Poverty Line*	#Avg. Annual Income (RMB)	Beneficiaries
Wafang	1,986 [204]	535	3,578	1,660
Shuanyu	2,577 [1,147]	88	3,873	2,197
Longshan	3,409 [286]	88	4,800	3,023
Jinlan	5,326 [336]	1,430	2,100	3,015
Miandi	2,569 [2]	195	6,302	1,157
Total	15,867 [1,975]	2,336	–	11,052

\* National Poverty line is defined as a per capita annual income of less than 2300RMB.

#### *Villages Supported in 2015 & 2016*

To date, we have co-sponsored 15 villages, mostly in Guizhou Province, the most water scarce region in China. 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.

## **FINANCIAL CONTENTS**

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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, 2016.

In 2015, the Group and Company changed its financial year end from March 31 to December 31 to be co-terminus with the immediate holding company's financial year end. The financial year for 2015 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 60 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, 2016, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

### 1 DIRECTORS

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

Hao Weibao  
 Dr Lin Yucheng  
 Zhang Yong  
 Wang Song  
 Yeung Koon Sang alias David Yeung  
 Tay Beng Chuan  
 Lee Suan Hiang  
 Bi Jingshuang (Appointed on November 16, 2016)

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

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

### 3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

Names of directors and company in which interests are held	At January 1, 2016	At December 31, 2016	At January 21, 2017
<u>The Company - Ordinary shares</u>			
Dr Lin Yucheng (deemed interest)	42,840,667	42,840,667	42,840,667
Lee Suan Hiang	360,500	360,500	360,500
Lee Suan Hiang (deemed interest)	400,000	400,000	400,000
Tay Beng Chuan	1,125,000	1,125,000	1,125,000
Yeung Koon Sang @ David Yeung	600,000	600,000	600,000
Bi Jingshuang (deemed interest)	–	269,024,005	269,024,005
<u>The Company - Share options</u>			
Dr Lin Yucheng	15,000,000	15,000,000	15,000,000

# Directors' Statement

## 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

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

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

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

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

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

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

## 4 SHARE OPTIONS (cont'd)

(b) Unissued shares under option and options exercised

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

### Number of options to subscribe for ordinary shares of the Company

Date of grant	Balance at January 1, 2016	Cancelled	Exercised	Balance at December 31, 2016	Exercise price per share	Exercisable period
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	33,775,500	(120,500)	(162,500)	33,492,500	\$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	5,100,000	–	–	5,100,000	\$1.135	25.7.2016 to 25.7.2024
Total	53,875,500	(120,500)	(162,500)	53,592,500		

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

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

Name of director	Options granted during the financial year	Aggregate options granted since commencement of the Scheme to the end of the financial year	Aggregate options exercised since commencement of the Scheme to the end of the financial year	Aggregate options lapsed/cancelled since commencement of the Scheme to the end of financial year	Aggregate options outstanding as at the end of financial year
Dr Lin Yucheng	–	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)	–	–
<u>Name of employee</u>					
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



# Directors' Statement

## 5 AUDIT COMMITTEE

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

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

The Audit Committee has met 4 times during the financial year ended December 31, 2016. The Audit Committee has reviewed the following, where relevant, with the executive directors and the external auditors of the Company:

- a) The audit plans and results of the internal auditors' examination and evaluation of the Group's systems of internal;
- b) The Group's financial and operating results and accounting policies;
- c) The financial statements of the Company and the consolidated financial statements of the Group before their submission to the directors of the Company and external auditors' report on those financial statements;
- d) the quarterly and annual announcements as well as the related press release on the results and financial position of the Company and the Group;
- e) the co-operation and assistance given by management to the Group's external auditors;
- f) the re-appointment of the external auditors of the Company;
- g) interested person transactions; and
- h) all non-audit services provided by the Group's external auditors.

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

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

# Directors' Statement

## 6 AUDITORS

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

ON BEHALF OF THE DIRECTORS

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Dr Lin Yucheng

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Yeung Koon Sang alias David Yeung

March 1, 2017

# Independent Auditor's Report to The members of CITIC Envirotech Ltd.

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of CITIC Envirotech Ltd. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at December 31, 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies, as set out on pages 60 to 137.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at December 31, 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of changes in equity of the Company for the year ended on that date.

### Basis for Opinion

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

### Key Audit Matters

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

#### Key Audit Matters

#### Our audit performed and responses thereon

##### Revenue recognition

The Group is principally engaged in three operating segments, namely (1) Environmental engineering, (2) Water treatment, and (3) Membrane manufacturing and sales.

We have identified critical areas in relation to revenue set out below that we consider significant either because of the complexity of the revenue contracts or nature of operations, or because of the required exercise of management judgement.

##### Accounting for revenue from the environmental engineering segment

As an engineering, procurement and construction ("EPC") contractor, the Group recognises revenue from environmental engineering contracts by reference to the stage of completion of the contract activity at the end of each reporting period, as measured by the proportion that contract costs incurred for work performed to date against the estimated total contract costs.

Management estimates are required in determining the extent of the contract cost incurred and the estimated total contract cost. Errors in any of these estimates could result in the misstatement of the stage of completion of the project, hence, resulting in a material variance in the amount of revenue recognised for the period.

Our audit approach included the following substantive procedures:

- We evaluated the Group's process in assessing the applicability of INT FRS 112 and reviewed the associated agreements to assess whether these agreements are properly identified to be service concession arrangement within the scope of INT FRS 112;
- We evaluated the design and tested the implementation of business process controls over each of the Group's different revenue streams. In particular, for the environmental engineering segment, we performed the above procedure relating to the determination of costs to complete when assessing the stage of completion. Samples of environmental engineering contract were tested through inspection of the underlying supporting documents to verify the costs incurred;
- We challenged management in respect of the estimated total contract costs by comparing previous cost estimates against actual results; and
- We reviewed management's computation of financial receivables and intangible assets, and the allocation of consideration between financial receivables and intangible assets and the related revenue recognition and tested key management estimates including discount rates used by comparing to the relevant market interest rates to identify any inappropriate estimates.

# Independent Auditor's Report to The members of CITIC Envirotech Ltd.

## Key Audit Matters

## Our audit performed and responses thereon

### **Accounting for revenue from service concession arrangements**

The Group's business in the water treatment segment is highly dependent on the service concession arrangements entered into with the local government authorities in the People's Republic of China. INT FRS 112 Service Concession Arrangements ("INT FRS 112") is applied in the Group's recognition of revenue from water treatment service from service concession arrangements.

Specifically, we have identified the determination of whether the service concessions arrangements fall under the scope of INT FRS 112 for new service concession contracts as a significant risk. This could mean that the Group may inappropriately recognise the consideration received from the local government authorities in exchange for the construction services as financial asset and/or intangible asset for service concession arrangements within the scope of INT FRS 112. As disclosed in Note 8, 17 and 29 of the financial statements, the amounts are material and significant management judgement are required, particularly in relation to the identification and application of the appropriate accounting treatment for the recording of revenue and associated assets under INT FRS 112.

The determination of the fair values of the receivables under these agreements includes complex calculations and significant management estimations required such as discounts rates, future cash flows and other factors used in the determination of the amortised cost of financial asset and corresponding financial income.

The accounting policies for revenue recognition are set out in Note 2 to the financial statements and the different revenue streams of the Group have been disclosed in Note 29 to the financial statements.

# Independent Auditor's Report to The members of CITIC Envirotech Ltd.

## Key Audit Matters

## Our audit performed and responses thereon

### Impairment of Assets – goodwill, intangible assets and service concession receivables

Under FRSs, the Group is required to annually perform impairment testing for goodwill, and for intangible assets and service concession receivables where there are indicators of impairment such as absence of available customer or lower than projected volume of water treated. This assessment requires the exercise of significant judgement in determining the recoverable values of the cash generating units ("CGUs"), including growth rate, discount rates, terminal values and expected changes to selling prices and direct costs.

For the Group's water treatment segment, significant delays in the timing of receipt from debtors may affect the assumptions used in arriving at the present value of the financial models of the Group's service concession arrangements and consequently may result in impairment of the Group's service concession receivables.

These assets represent a significant portion of the Group's total assets and their proportion as at December 31, 2016 as follows:

- Goodwill (10% of Group's total assets)
- Intangible assets (11% of Group's total assets)
- Service concession receivables (24% of Group's total assets)

The key assumptions to the goodwill and intangible assets impairment test are disclosed in Notes 16 and 17 to the financial statements.

Our audit procedures focused on evaluating and challenging the key assumptions used by management in concluding the impairment review. These procedures included:

- Using our valuation specialists to review key assumptions used in the impairment analysis, in particular the discount rates and terminal growth rate;
- Challenging the cashflow forecasts used, with comparison to recent performance, trend analysis and market expectations; and
- By reference to prior years' forecasts, where relevant, assessing whether the Group has achieved them.



# Independent Auditor's Report to The members of CITIC Envirotech Ltd.

## Key Audit Matters

## Our audit performed and responses thereon

### Collectability of and Impairment Allowances for Receivables

As at December 31, 2016, trade receivables comprise 10 % of the Group's total assets. The trade receivables portfolio comprise receivables arising from the Group's environmental engineering, water treatment as well as membrane segments. This represents a significant proportion of the Group's working capital. Furthermore, the balance of receivables aged more than 1 year is 16% of the trade receivables account. In addition, the credit risk concentration profile of the Group's trade receivables at the end of the reporting period is 97% concentrated in the People's Republic of China. Hence, collectability of receivables is considered to be a key matter for the Group.

As for the allowance for impairment of receivables from customers, it is considered to be a key matter of significance as it requires the application of judgement by management.

In determining whether allowance for bad and doubtful debts is required, the Group takes into consideration the aging status and the likelihood of collection. Following the identification of doubtful debts, the Group discusses with the relevant customers and report on the recoverability of such debts. Specific allowance is only made for receivables that are unlikely to be collected.

The trade receivables balance, credit terms and aging as well as the Group's policy on impairment of receivables have been disclosed in Note 2 and 7 to the financial statements.

Our audit approach included the following substantive procedures:

- We reviewed the design and tested the operating effectiveness of key controls over the identification and timeliness of identifying impairment indicators;
- We evaluated management's continuous assessment of the appropriateness of assumptions used in the impairment assessment. These considerations include whether there are regular receipts from the customers, past collection history as well as an assessment of the customers' credit ability to make repayments;
- We obtained the aging analysis of trade receivables and discussed with management the reasons of any long outstanding amounts; and
- We checked subsequent settlements from customers and ensured that adequate allowance has been provided to write down the carrying amount to recoverable amount.

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

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

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

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

### Responsibilities of Management and Directors for the Financial Statements

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

# Independent Auditor's Report to The members of CITIC Envirotech Ltd.

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

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

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

## Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- (a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

# Independent Auditor's Report to The members of CITIC Envirotech Ltd.

## Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Tsia Chee Wah.

Deloitte & Touche LLP  
Public Accountants and  
Chartered Accountants  
Singapore

March 1, 2017

# Statements of Financial Position

December 31, 2016

	Note	Group		Company	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and bank balances	6	493,541	540,466	110,426	198,024
Trade receivables	7	240,414	218,323	–	–
Service concession receivables	8	6,248	4,342	–	–
Other receivables and prepayments	9	141,233	163,691	851,053	732,231
Inventories	10	13,777	10,570	–	–
Prepaid leases	11	736	766	–	–
		895,949	938,158	961,479	930,255
Assets classified as held for sale	12	55,645	34,582	–	–
Total current assets		951,594	972,740	961,479	930,255
<b>Non-current assets</b>					
Trade receivables	7	25,036	4,687	–	–
Service concession receivables	8	597,191	504,819	–	–
Other receivables and prepayments	9	15,577	16,293	–	–
Prepaid leases	11	39,996	36,704	–	–
Subsidiaries	13	–	–	413,323	279,023
Associates	14	17,807	10,608	10,588	10,611
Property, plant and equipment	15	374,470	148,871	182	249
Goodwill	16	255,365	255,365	–	–
Intangible assets	17	271,894	222,282	200	200
Deferred tax assets	18	1,111	517	–	–
Total non-current assets		1,598,447	1,200,146	424,293	290,083
<b>Total assets</b>		<b>2,550,041</b>	<b>2,172,886</b>	<b>1,385,772</b>	<b>1,220,338</b>

See accompanying notes to financial statements.

# Statements of Financial Position (cont'd)

December 31, 2016

	Note	Group		Company	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>LIABILITIES AND EQUITY</b>					
<b>Current liabilities</b>					
Bank loans	19	76,499	237,141	–	–
Medium term notes	23	–	97,700	–	97,700
Trade payables	20	310,048	140,708	–	–
Other payables	21	79,410	52,641	15,064	21,071
Finance leases	22	161	180	17	17
Income tax payable		30,534	25,054	–	–
		496,652	553,424	15,081	118,788
Liabilities directly associated with assets classified as held for sale	12	31,953	31,238	–	–
Total current liabilities		528,605	584,662	15,081	118,788
<b>Non-current liabilities</b>					
Bank loans	19	256,868	188,610	–	–
Finance leases	22	169	256	66	83
Medium term notes	23	223,449	222,226	223,449	222,226
Deferred tax liabilities	18	45,432	36,376	–	–
Total non-current liabilities		525,918	447,468	223,515	222,309
<b>Capital, reserves and non-controlling interests</b>					
Share capital	24	608,063	607,973	608,063	607,973
Perpetual capital securities	25	481,250	242,055	481,250	242,055
General reserve	26	7,414	5,330	–	–
Capital reserve	27	2,096	2,096	–	–
Share option reserve	28	27,782	20,445	27,782	20,445
Currency translation reserve	27	(11,999)	29,878	7,160	4,415
Retained earnings		264,385	193,971	22,921	4,353
Equity attributable to owners of the Company		1,378,991	1,101,748	1,147,176	879,241
Non-controlling interests		116,527	39,008	–	–
Total equity		1,495,518	1,140,756	1,147,176	879,241
<b>Total liabilities and equity</b>		<b>2,550,041</b>	<b>2,172,886</b>	<b>1,385,772</b>	<b>1,220,338</b>

See accompanying notes to financial statements.



# Consolidated Statement of Profit or Loss and Other Comprehensive Income

Financial year ended December 31, 2016

	Note	January 1, 2016 to December 31, 2016 \$'000	April 1, 2015 to December 31, 2015 \$'000
<b>Revenue</b>	29	544,555	274,761
Other income	30	19,319	20,248
Changes in inventories		3,207	(2,673)
Material purchased, consumables used and subcontractors' fees		(281,153)	(111,973)
Employee benefits expense	32	(50,054)	(34,023)
Depreciation and amortisation expenses	32	(22,182)	(15,962)
Other operating expenses		(49,576)	(39,692)
Finance costs	31	(39,573)	(29,212)
Share of profit (loss) of associates	14	6,814	(3)
<b>Profit before income tax</b>	32	131,357	61,471
Income tax expense	33	(29,401)	(18,861)
<b>Profit for the year</b>		<u>101,956</u>	<u>42,610</u>
<b>Profit for the year attributable to:</b>			
Owners of the Company		99,312	40,762
Non-controlling interests		2,644	1,848
		<u>101,956</u>	<u>42,610</u>
<b>Earnings per share (cents):</b>			
Basic	34	6.79	3.55
Diluted	34	<u>6.48</u>	<u>3.39</u>

See accompanying notes to financial statements.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income (cont'd)

Financial period from April 1, 2016 to December 31, 2016

	January 1, 2016 to December 31, 2016 \$'000	April 1, 2015 to December 31, 2015 \$'000
<b>Other comprehensive income:</b>		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Currency translation loss	(41,877)	(5,054)
Other comprehensive income for the year, net of tax	(41,877)	(5,054)
<b>Total comprehensive income for the year</b>	<b>60,079</b>	<b>37,556</b>
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	57,435	35,708
Non-controlling interests	2,644	1,848
	<b>60,079</b>	<b>37,556</b>

See accompanying notes to financial statements.

# Statements of Changes in Equity

Financial year ended December 31, 2016

	Share capital \$'000	Perpetual capital securities \$'000	General reserve \$'000	Capital reserve \$'000	Share option reserve \$'000	Convertible bonds reserve \$'000	Currency translation reserve \$'000	Retained earnings \$'000	Attributable to owners of the Company \$'000	Non- controlling interests \$'000	Total \$'000
<b>Group</b>											
<b>Balance at April 1, 2015</b>	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)
<b>Total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(5,054)</b>	<b>40,762</b>	<b>35,708</b>	<b>1,848</b>	<b>37,556</b>
Transactions with owners, recognised directly in equity											
Incorporation of subsidiaries (Note 13)	–	–	–	–	–	–	–	–	–	2,009	2,009
Acquisition of subsidiaries (Note 39)	–	–	–	–	–	–	–	–	–	2,466	2,466
Recognition of share-based payment (Note 28)	–	–	–	–	6,930	–	–	–	6,930	–	6,930
Issuance of shares capital	47,562	–	–	–	–	–	–	–	47,562	–	47,562
Issuance of perpetual capital securities (Note 25)	–	242,055	–	–	–	–	–	–	242,055	–	242,055
Issuance of shares on conversion of convertible bonds	67,489	–	–	–	–	(8,707)	–	–	58,782	–	58,782
Issuance of shares on exercise of ESOS (Note 24)	8,797	–	–	–	–	–	–	–	8,797	–	8,797
Transfer to general reserve (Note 26)	–	–	861	–	–	–	–	(861)	–	–	–
Dividends (Note 35)	–	–	–	–	–	–	–	(6,746)	(6,746)	–	(6,746)
<b>Total</b>	<b>123,848</b>	<b>242,055</b>	<b>861</b>	<b>–</b>	<b>6,930</b>	<b>(8,707)</b>	<b>–</b>	<b>(7,607)</b>	<b>357,380</b>	<b>4,475</b>	<b>361,855</b>
<b>Balance at December 31, 2015</b>	<b>607,973</b>	<b>242,055</b>	<b>5,330</b>	<b>2,096</b>	<b>20,445</b>	<b>–</b>	<b>29,878</b>	<b>193,971</b>	<b>1,101,748</b>	<b>39,008</b>	<b>1,140,756</b>

See accompanying notes to financial statements.

# Statements of Changes in Equity (cont'd)

Financial year ended December 31, 2016

	Share capital \$'000	Perpetual capital securities \$'000	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
<b>Group</b>											
Balance at January 1, 2016	607,973	242,055	5,330	2,096	20,445	–	29,878	193,971	1,101,748	39,008	1,140,756
Total comprehensive income for the year											
Profit for the year	–	–	–	–	–	–	–	99,312	99,312	2,644	101,956
Other comprehensive income for the year	–	–	–	–	–	–	(41,877)	–	(41,877)	–	(41,877)
Total	–	–	–	–	–	–	(41,877)	99,312	57,435	2,644	60,079
Transactions with owners, recognised directly in equity											
Incorporation of subsidiaries (Note 13)	–	–	–	–	–	–	–	–	–	72,426	72,426
Acquisition of subsidiaries (Note 39)	–	–	–	–	–	–	–	–	–	3,144	3,144
Disposal of subsidiaries (Note 40)	–	–	–	–	–	–	–	–	–	(695)	(695)
Recognition of share-based payment (Note 28)	–	–	–	–	7,337	–	–	–	7,337	–	7,337
Issuance of perpetual capital securities (Note 25)	–	242,037	–	–	–	–	–	–	242,037	–	242,037
Perpetual capital securities issuance costs (Note 25)	–	(2,842)	–	–	–	–	–	–	(2,842)	–	(2,842)
Issuance of shares on exercise of ESOS (Note 24)	90	–	–	–	–	–	–	–	90	–	90
Transfer to general reserve (Note 26)	–	–	2,084	–	–	–	–	(2,084)	–	–	–
Dividends (Note 35)	–	–	–	–	–	–	–	(26,814)	(26,814)	–	(26,814)
Total	90	239,195	2,084	–	7,337	–	–	(28,898)	219,808	74,875	294,683
<b>Balance at December 31, 2016</b>	<b>608,063</b>	<b>481,250</b>	<b>7,414</b>	<b>2,096</b>	<b>27,782</b>	<b>–</b>	<b>(11,999)</b>	<b>264,385</b>	<b>1,378,991</b>	<b>116,527</b>	<b>1,495,518</b>

See accompanying notes to financial statements.

# Statements of Changes in Equity (cont'd)

Financial year ended December 31, 2016

	Share capital \$'000	Perpetual capital securities \$'000	Share option reserve \$'000	Convertible bonds reserve \$'000	Currency translation reserve \$'000	Retained earnings \$'000	Total \$'000
<b>Company</b>							
<b>Balance at April 1, 2015</b>	484,125	–	13,515	8,707	18,939	6,373	531,659
Total comprehensive income for the year							
Profit for the year	–	–	–	–	–	4,726	4,726
Other comprehensive income for the year	–	–	–	–	(14,524)	–	(14,524)
Total	–	–	–	–	(14,524)	4,726	(9,798)
Transactions with owners, recognised directly in equity							
Recognition of share-based payment (Note 28)	–	–	6,930	–	–	–	6,930
Issuance of share capital	47,562	–	–	–	–	–	47,562
Issuance of perpetual capital securities (Note 25)	–	242,055	–	–	–	–	242,055
Issuance of shares on conversion of convertible bonds	67,489	–	–	(8,707)	–	–	58,782
Issuance of shares on exercise of ESOS (Note 24)	8,797	–	–	–	–	–	8,797
Dividends (Note 35)	–	–	–	–	–	(6,746)	(6,746)
Total	123,848	242,055	6,930	(8,707)	–	(6,746)	357,380
<b>Balance at December 31, 2015</b>	<b>607,973</b>	<b>242,055</b>	<b>20,445</b>	<b>–</b>	<b>4,415</b>	<b>4,353</b>	<b>879,241</b>

See accompanying notes to financial statements.



# Statements of Changes in Equity (cont'd)

Financial year ended December 31, 2016

	Share capital \$'000	Perpetual capital securities \$'000	Share option reserve \$'000	Convertible bonds reserve \$'000	Currency translation reserve \$'000	Retained earnings \$'000	Total \$'000
<b>Company</b>							
<b>Balance at January 1, 2016</b>	607,973	242,055	20,445	–	4,415	4,353	879,241
Total comprehensive income for the year							
Profit for the year	–	–	–	–	–	45,382	45,382
Other comprehensive income for the year	–	–	–	–	2,745	–	2,745
Total	–	–	–	–	2,745	45,382	48,127
Transactions with owners, recognised directly in equity							
Recognition of share-based payment (Note 28)	–	–	7,337	–	–	–	7,337
Issuance of perpetual capital securities (Note 25)	–	242,037	–	–	–	–	242,037
Perpetual capital securities issuance costs (Note 25)	–	(2,842)	–	–	–	–	(2,842)
Issuance of shares on exercise of ESOS (Note 24)	90	–	–	–	–	–	90
Dividends (Note 35)	–	–	–	–	–	(26,814)	(26,814)
Total	90	239,195	7,337	–	–	(26,814)	219,808
<b>Balance at December 31, 2016</b>	<b>608,063</b>	<b>481,250</b>	<b>27,782</b>	<b>–</b>	<b>7,160</b>	<b>22,921</b>	<b>1,147,176</b>

See accompanying notes to financial statements.

# Consolidated Statement of Cash Flows

Financial year ended December 31, 2016

	January 1, 2016 to December 31, 2016 \$'000	April 1, 2015 to December 31, 2015 \$'000
<b>Operating activities</b>		
Profit before income tax	131,357	61,471
Adjustments for:		
Gain on disposal of a subsidiary	(873)	–
Loss on disposal of property, plant and equipment	26	122
Loss on disposal of service concession receivables	2,043	–
Impairment loss on non-current assets held-for-sale	2,494	–
Interest income	(3,138)	(5,276)
Interest expense	39,573	29,212
Share of (profit) loss of associates	(6,814)	3
Depreciation and amortisation expenses	22,182	15,962
Share option expenses	7,337	6,930
Allowance for doubtful receivables	1,028	–
Exchange differences arising on foreign currency translation	(17,697)	1,029
Operating cash flows before movements in working capital	177,518	109,453
Trade receivables	(53,261)	11,231
Other receivables and prepayments	30,824	(92,713)
Inventories	(3,192)	2,671
Trade payables	166,697	26,356
Other payables	37,886	(32,940)
Cash generated from operations	356,472	24,058
Interest received	3,138	4,691
Interest paid	(38,539)	(18,208)
Income tax paid	(14,581)	(8,284)
Net cash from operating activities	306,490	2,257

See accompanying notes to financial statements.

# Consolidated Statement of Cash Flows (cont'd)

Financial year ended December 31, 2016

	January 1, 2016 to December 31, 2016 \$'000	April 1, 2015 to December 31, 2015 \$'000
<b>Investing activities</b>		
Investment in associates	(385)	(10,611)
Proceeds from disposal of property, plant and equipment	3	87
Addition to service concession receivables	(130,344)	(34,876)
Proceeds from disposal of service concession receivable	739	–
Addition to intangible assets	(44,260)	(7,365)
Addition to prepaid leases	(4,491)	–
Contribution from non-controlling shareholders	72,426	2,009
Disposal of subsidiary	3,350	–
Addition to property, plant and equipment	(259,317)	(76,946)
Net cash outflow on acquisition of subsidiaries (Note 39)	(36,120)	(86,100)
Net cash used in investing activities	(398,399)	(213,802)
<b>Financing activities</b>		
New bank loans raised	195,286	171,770
Proceeds from issuance of shares, net of expenses	90	56,359
Proceeds from issuance of medium term notes, net of expenses	–	222,048
Dividends paid	(21,200)	(5,633)
Repayment of obligations under finance lease	(106)	(55)
Proceeds from issuance of perpetual capital securities	239,195	242,055
Redemption of medium term notes	(99,000)	(1,010)
Repayments of bank loans	(258,398)	(50,323)
Net cash from financing activities	55,867	635,211
Net (decrease) increase in cash and cash equivalents	(36,042)	423,666
Cash and cash equivalents at beginning of financial year	540,466	113,757
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	(10,883)	3,043
<b>Cash and cash equivalents at end of financial year (Note 6)</b>	<b>493,541</b>	<b>540,466</b>

See accompanying notes to financial statements.

# Notes to Financial Statements

December 31, 2016

## 1 GENERAL

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

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

The principal activities of the subsidiaries and associates are disclosed in Notes 13 and 14 to the financial statements respectively.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2016 were authorised for issue by the Board of Directors on March 1, 2017.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of accounting

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

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

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

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

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

### 2.2 Adoption of new and revised standards

On January 1, 2016, the Group has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRS and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years.

# Notes to Financial Statements

December 31, 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.2 Adoption of new and revised standards (cont'd)

At the date of authorisation of these financial statements, the following FRSs, INT FRSs and amendments to FRS that are relevant to the Group and the Company were issued but not effective:

- FRS 109 *Financial Instruments*<sup>2</sup>
- FRS 115 *Revenue from Contracts with Customer (with clarifications issued)*<sup>2</sup>
- FRS 116 *Leases*<sup>3</sup>
- Amendments to FRS 7 *Statement of Cash Flows: Disclosure Initiative*<sup>1</sup>
- Amendments to FRS 12 *Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses*<sup>1</sup>
- 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*<sup>4</sup>

1 Applies to annual periods beginning on or after January 1, 2017, with early application permitted.

2 Applies to annual periods beginning on or after January 1, 2018, with early application permitted.

3 Applies to annual periods beginning on or after January 1, 2019, with earlier application permitted if FRS 115 is adopted.

4 Application has been deferred indefinitely, however, early application is still permitted.

Consequential amendments were also made to various standards as a result of these new/revised standards.

#### IFRS convergence 2018

Singapore- incorporated company listed on the Singapore Exchange ("SGX") will be required to apply a new Singapore financial reporting framework that is identical to the International Financial Reporting Standards ("IFRS") for annual periods beginning on or after January 1, 2018. The Group will be adopting the new framework for the first time for financial year ending December 31, 2018, with retrospective application to the comparative financial year ending December 31, 2017 and the opening statement of financial position as at January 1, 2017 (date of transition).

Based on a preliminary assessment of the potential impact arising from IFRS 1 First-time adoption of IFRS, management does not expect any changes to the Group's current accounting policies or material adjustments on transition to the new framework, other than those that may arise from implementing new/revised IFRSs, and the election of certain transition options available under IFRS 1.

Management is currently performing a detailed analysis of the transition options and other requirements of IFRS 1. Particularly, management is evaluating the following transition options, and if elected, may result in material adjustments on transition to the new framework:

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

The preliminary assessment above may be subject to change arising from the detailed analysis.

#### FRS 109 *Financial Instruments*

FRS 109 was issued in December 2014 to replace FRS 39 *Financial Instruments: Recognition and Measurement* and introduced new requirements for (i) the classification and measurement of financial assets and financial liabilities, (ii) general hedge accounting, and (iii) impairment requirements for financial assets.

Key requirements of FRS 109 include:

- All recognised financial assets that are within the scope of FRS 39 are now required to be subsequently measured at amortised cost or fair value through profit or loss (FVTPL). Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, comprising solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting period. Debt instruments that are held within a business model whose objective is achieved both by selling financial assets, and collecting contractual cash flows comprising payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (FVTOCI). All other debt investments and equity investments are measured at FVTPL at the end of subsequent accounting period. In addition, under FRS 109, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at FVTOCI, with only dividend income generally recognised in profit or loss.



# Notes to Financial Statements

December 31, 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.2 Adoption of new and revised standards (cont'd)

- With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, FRS 109 requires that the amount of change in fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch to profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under the existing FRS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL is presented in profit or loss.
- In relation to the impairment of financial assets, FRS 109 requires an expected credit loss model, as opposed to an incurred credit loss model under the existing FRS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in FRS 39. Under FRS 109, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

FRS 109 will take effect from financial years beginning on or after January 1, 2018. Management anticipates that the initial application of the new FRS 109 will result in changes to the accounting policies relating to the impairment provisions of financial assets and liabilities. Management will consider whether a lifetime or 12-month expected credit losses on financial assets and liabilities should be recognised, which is dependent on whether there has been a significant increase in the credit risk of the assets and liabilities from initial recognition to the date of initial application of FRS 109. Additional disclosures will also be made. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Group's financial statements in the period of initial application as management has yet to complete its detailed assessment. Management does not plan to early adopt the new FRS 109.

#### **FRS 115 Revenue from Contracts with Customers**

In November 2014, FRS 115 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. FRS 115 will supersede the current revenue recognition guidance including FRS 18 Revenue, FRS 11 Construction Contracts and the related Interpretations when it becomes effective. Further clarifications to FRS 115 were also issued in June 2016.

The core principle of FRS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

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

Under FRS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in FRS 115 to deal with specific scenarios. Furthermore, extensive disclosures are required by FRS 115.

FRS 115 will take effect from financial years beginning on or after January 1, 2018. Management does not expect the adoption of the above FRS to have a material impact on the financial statements of the Group in the period of their initial adoption. However, additional disclosures for trade receivables and revenue may be required including any significant judgement and estimation made. It is currently impracticable to disclose any further information on the known or reasonably estimated impact to the financial statements of the Group in the period of initial adoption as the management has yet to complete its detailed assessment. Management does not plan to early adopt the new FRS 115.

# Notes to Financial Statements

December 31, 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.2 Adoption of new and revised standards (cont'd)

#### FRS 116 *Leases*

FRS 116 was issued in June 2016 and will supersede FRS 17 Leases and its associated interpretative guidance.

The standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts, are determined on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the predecessor FRS 17.

FRS 116 will take effect from financial years beginning on or after January 1, 2019. Management expects the adoption of the above FRS to have a material impact on the financial statements of the Group in the period of their initial adoption, in particular on property, plant and equipment, finance lease liabilities and depreciation expenses. It is currently impracticable to disclose any further information on the known or reasonably estimated impact to the financial statements of the Group in the period of initial adoption as the management has yet to complete its detailed assessment. Management does not plan to early adopt the new FRS 116.

#### **Amendments to FRS 7 *Statement of Cash Flows: Disclosure Initiative***

The amendments required an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The amendments applies prospectively to annual periods beginning on or after January 1, 2017, with earlier application permitted.

Management does not expect the adoption of the above FRS to have a material impact on the financial statements of the Group in the period of their initial adoption.

#### **Amendments to FRS 12 *Income taxes: Recognition of Deferred Tax Assets for Unrealised Losses***

The amendments clarify that unrealised losses on debt instruments measured at fair value in the financial statements but at cost for tax purposes can give rise to deductible temporary differences.

The amendments also clarify that the carrying amount of an asset does not limit the estimation of probable future taxable profits, and that when comparing deductible temporary differences with future taxable profits, the future taxable profits excludes tax deductions resulting from the reversal of those deductible temporary differences.

Management does not expect the adoption of the above FRS to have a material impact on the financial statements of the Group in the period of their initial adoption.

#### **Amendments to FRS 110 *Consolidated Financial Statements and FRS 28 Investments in Associates and Joint Ventures: Sales or Contribution of Assets between an investor and its Associate or Joint Venture***

The amendments address the requirements in dealing with the sale or contribution of assets between an investor and its associate or joint venture. In a transaction involving an associate or a joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business.

When an entity sells or contributes assets that constitute a business to a joint venture or associate, or loses control of a subsidiary that contains a business but it retains joint control or significant influence, the gain or loss resulting from that transaction is recognised in full.

When an entity sells or contributes assets that do not constitute a business to a joint venture or associate, or loses control of a subsidiary that does not contain a business but it retains joint control or significant influence, the gain or loss resulting from that transaction is recognised only to the extent of the unrelated investors' interests in the joint venture or associate, i.e. the entity's share of the gain or loss is eliminated.

Management does not expect the adoption of the above FRS to have a material impact on the financial statements of the Group in the period of their initial adoption.

# Notes to Financial Statements

December 31, 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power over the investee to affect the amount of the returns.

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

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

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

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

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

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

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

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

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

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

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

# Notes to Financial Statements

December 31, 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.3 Basis of consolidation (cont'd)

#### 2.3.1 Changes in the Group's ownership interest in existing subsidiaries (cont'd)

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified/ permitted by applicable FRSs) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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

### 2.4 Business combinations

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

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with FRS 39 *Financial Instruments: Recognition and Measurement*, or FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

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

# Notes to Financial Statements

December 31, 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.4 Business combinations (cont'd)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entities net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another FRS.

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

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

### 2.5 Financial instruments

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

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

#### Effective interest method

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

#### **Financial assets**

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

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

#### Cash and cash equivalents

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

#### Loans and receivables

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



# Notes to Financial Statements

December 31, 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.5 Financial instruments (cont'd)

#### Financial assets (cont'd)

##### Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted.

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

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

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

##### Derecognition of financial assets

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

#### Financial liabilities and equity instruments

##### Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

##### Equity instruments

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

##### Other financial liabilities

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

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

# Notes to Financial Statements

December 31, 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.5 Financial instruments (cont'd)

#### Financial liabilities and equity instruments (cont'd)

##### Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Company and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Company measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognition with FRS 18 *Revenue*.

##### Derecognition of financial liabilities

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

##### Offsetting arrangements

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

### 2.6 Leases

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

##### The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised.

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

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

### 2.7 Non-current assets held for sale

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

# Notes to Financial Statements

December 31, 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.7 Non-current assets held for sale (cont'd)

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

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

### 2.8 Inventories

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

### 2.9 Prepaid leases

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

### 2.10 Property, plant and equipment

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

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

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

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

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

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

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

# Notes to Financial Statements

December 31, 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.10 Property, plant and equipment (cont'd)

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

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

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

### 2.11 Goodwill

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

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

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

### 2.12 Service concession receivables

#### Consideration given by the grantor

A financial asset (receivable under service concession arrangement) is recognised to the extent that the Group has an unconditional right to receive cash or another financial asset from or at the direction of the grantor for the construction services rendered and/or the consideration paid and payable by the Group for the right to manage and operate the infrastructure for public service. The Group has an unconditional right to receive cash if the grantor contractually guarantees to pay the Group (a) specified or determinable amounts or (b) the shortfall, if any, between amounts received from users of the public service and specified or determinable amounts, even if the payment is contingent on the Group ensuring that the infrastructure meets specified quality or efficiency requirements. The financial asset (receivable under service concession arrangement) is accounted for in accordance with the policy set out for "Financial instruments" above.

An intangible asset (operating concession) is recognised to the extent that the Group receives a right to charge users of the public service. The intangible asset (operating concession) is accounted for in accordance with the policy set out for "Intangible assets" below.

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

### 2.13 Intangible assets

#### Intangible assets acquired in a business combination

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

# Notes to Financial Statements

December 31, 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.13 Intangible assets (cont'd)

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

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

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

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

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

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

### 2.14 Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates are carried in the statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

The requirements of FRS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with FRS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with FRS 36 to the extent that the recoverable amount of the investment subsequently increases.



# Notes to Financial Statements

December 31, 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.14 Associates (cont'd)

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with FRS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

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

### 2.15 Impairment of tangible and intangible assets excluding goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### 2.16 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

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

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

# Notes to Financial Statements

December 31, 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.17 Revenue recognition

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

#### Sale of goods

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

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

#### Rendering of technical services

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

#### Environmental engineering contracts

Revenue from environmental engineering contracts are recognised when the outcome of the contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of each reporting period, as measured by the proportion that contract costs incurred for work performed to date against the estimated total contract costs and accepted by the customer, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

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

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

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

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

#### Income from treatment of waste water

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

# Notes to Financial Statements

December 31, 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.17 Revenue recognition (cont'd)

#### Interest income and finance income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that assets net carrying amount.

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

#### Commission income

Commission income is recognised when the services are rendered.

### 2.18 Borrowing costs

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

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

### 2.19 Retirement benefit costs

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

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund and the Malaysia Employee Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

### 2.20 Employee leave entitlement

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

### 2.21 Share-based payments

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

Equity-settled share-based payments are measured at fair value of the equity instruments (excluding the effect of non-market-based vesting conditions) at the date of grant. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 28 to the financial statements. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest and adjusted for the effect of non market-based vesting conditions. At the end of each reporting period, the Group revises the estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised over the remaining vesting period with a corresponding adjustment to the share option reserve.

# Notes to Financial Statements

December 31, 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.22 Income tax

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

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

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

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

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

### 2.23 Foreign currency transactions and translation

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

#### Transactions and balances

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

# Notes to Financial Statements

December 31, 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.23 Foreign currency transactions and translation (cont'd)

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

#### Consolidated financial statements

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

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

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

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

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

### 2.24 Perpetual capital securities

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

### 2.25 General reserve

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

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

### 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2 to the financial statements, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

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

#### (ii) *Key sources of estimation uncertainty*

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

##### 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 29.

##### 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").



# Notes to Financial Statements

December 31, 2016

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

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

#### Impairment allowances for loans and receivables

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

In making the estimation, management considered the procedures that have been in place to monitor this risk as a significant proportion of the Group's working capital is devoted to trade receivables. In determining whether allowance for bad and doubtful debts is required, the Group takes into consideration the aging status and the likelihood of collection. Following the identification of doubtful debts, the responsible management personnel discusses with the relevant customers and report on the recoverability of such debts. Specific allowance is only made for receivables that are unlikely to be collected. In this regard, management is satisfied that adequate allowance for doubtful debts has been made in the financial statements in light of the historical records of the Group. The carrying amounts of loans and receivables at the end of the reporting period are disclosed in Notes 7, 8 and 9 to the financial statements respectively.

#### Classification between financial assets and/or intangible asset under INT FRS 112 Service Concession Arrangements

The Group recognises the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset under public-to-private concession arrangement. However, if the Group is paid for the construction services partly by a financial asset and partly by an intangible asset, it is necessary to account separately for each component of the operator's consideration. The consideration received or receivable for both components shall be recognised initially at the fair value of the consideration received or receivable.

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

The carrying amount of the service concession receivables and intangible assets at the end of the reporting period is disclosed in Notes 8 and 17 respectively to the financial statements.

#### Useful lives of property, plant and equipment

As described in Note 2 to the financial statements, the Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. During the financial year, management is satisfied that there is no change in the useful lives of the property, plant and equipment from prior year. The carrying amounts of property, plant and equipment at end of the reporting period are disclosed in Note 15 to the financial statements.

#### Useful lives of patents and customer contracts

As described in Note 2 to the financial statements, the Group reviews the estimated useful lives of patents and customer contracts at the end of each annual reporting period. The carrying amounts of patents and customer contracts at end of the reporting period are disclosed in Note 17 to the financial statements.

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

The Group assesses annually whether property, plant and equipment and intangible assets exhibit any indication of impairment. In instances where there are indications of impairment, the recoverable amounts of property, plant and equipment and intangible assets have been determined based on value-in-use calculations. The value-in-use calculations require the exercise of judgement and use of estimates. The carrying amounts of property, plant and equipment and intangible assets at the end of the reporting period are disclosed in Note 15 and Note 17 respectively to the financial statements.

# Notes to Financial Statements

December 31, 2016

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

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

#### Impairment of investments in subsidiaries and associates

The Group assesses at each reporting date whether there is an indication that the investments in subsidiaries and associates may be impaired. Determining whether investments in subsidiaries and associates are impaired requires an estimation of the recoverable amount assessed to be the higher of fair value less cost to sell and value in use. Management has evaluated the recoverability of these investments based on such estimates. The carrying value of the investments in subsidiaries and associates are set out in Notes 13 and 14 to the financial statements.

#### Purchase price allocation

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

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

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

The fair value of the identifiable assets and liabilities at the acquisition date is disclosed in Note 39 to the financial statements.

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

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

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

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

### (a) *Capital risk management policies and objectives*

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

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

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

# Notes to Financial Statements

December 31, 2016

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

### (a) Capital risk management policies and objectives (cont'd)

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

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

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

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

### (c) Categories of financial instruments

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

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Financial assets</b>				
Service concession receivables	643,593	509,161	–	–
Loans and receivables	364,659	363,597	851,053	732,231
Cash and bank balances	493,921	540,466	110,426	198,024
Financial guarantee contract	–	–	2,304	2,424
Total	1,502,173	1,413,224	963,783	932,679
<b>Financial liabilities</b>				
Trade payables	310,054	149,623	–	–
Other payables	60,959	52,750	15,064	21,071
Bank loans	343,018	425,751	–	–
Finance leases	330	436	83	100
Medium term notes	223,449	319,926	223,449	319,926
Total	937,810	948,486	238,596	341,097

### (d) Financial risk management policies and objectives

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

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

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

# Notes to Financial Statements

December 31, 2016

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

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

#### (i) Foreign exchange risk management

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

	← 2016 →				← 2015 →			
	US\$ \$'000	RM\$ \$'000	HK\$ \$'000	S\$ \$'000	US\$ \$'000	RM\$ \$'000	HK\$ \$'000	S\$ \$'000
<u>Group</u>								
Cash and bank balances	117,694	6,096	374	13,308	219,696	4,919	—	78,455
Other receivables and prepayment	—	—	—	—	—	—	—	—
Due from subsidiaries	—	—	—	—	—	—	—	—
Bank borrowings	—	—	—	—	(33,274)	—	—	(17,432)
Other payables	(11,693)	—	—	(3,781)	(620)	—	—	(5,232)
Finance leases	—	—	—	(233)	—	—	—	(371)
Convertible bonds	—	—	—	—	—	—	—	—
Medium term note	—	—	—	(223,449)	—	—	—	(319,926)
	<u>106,001</u>	<u>6,096</u>	<u>374</u>	<u>(214,155)</u>	<u>185,802</u>	<u>4,919</u>	<u>—</u>	<u>(264,506)</u>
<u>Company</u>								
Cash and bank balances	89,313	—	—	11,013	192,304	—	—	4,865
Other receivables and prepayment	—	—	—	—	—	—	—	—
Due from subsidiaries	—	—	—	—	—	2,399	—	—
Bank borrowings	—	—	—	—	—	—	—	—
Other payables	(11,693)	—	—	(3,781)	—	—	—	(5,232)
Finance leases	—	—	—	(83)	—	—	—	(100)
Convertible bonds	—	—	—	—	—	—	—	—
Medium term note	—	—	—	(223,449)	—	—	—	(319,926)
	<u>77,620</u>	<u>—</u>	<u>—</u>	<u>(216,300)</u>	<u>192,304</u>	<u>2,399</u>	<u>—</u>	<u>(320,393)</u>

# Notes to Financial Statements

December 31, 2016

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

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

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

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

#### Foreign currency sensitivity

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

	US\$ impact		RM\$ impact		HK\$ impact		S\$ impact	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<u>Profit or loss</u>								
Group	(10,600)	(18,580)	(610)	(492)	(37)	–	21,416	26,450
Company	(7,762)	(19,230)	–	(240)	–	–	21,630	32,039
<u>Other equity</u>								
Group	–	–	–	–	–	–	(22,345) <sup>(i)</sup>	(31,993) <sup>(i)</sup>
Company	–	–	–	–	–	–	(22,345) <sup>(i)</sup>	(31,993) <sup>(i)</sup>

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

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

#### (ii) Interest rate risk management

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

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

#### Interest rate sensitivity

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

# Notes to Financial Statements

December 31, 2016

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

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

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

##### *Interest rate sensitivity (cont'd)*

If interest rate had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended December 31, 2016 would decrease/increase by \$1,623,000 (2015 : decrease/increase by \$2,129,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

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

#### (iii) Credit risk management

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

For the financial years ended December 31, 2016 and 2015, there was no single customer of the Group which accounts for more than 10% of the Group's revenue.

The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is 97% (2015 : 98%) concentrated in the PRC.

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

The credit risk in relation to the Group's pledged bank deposits is not significant as the corresponding banks are reputable banking institutions in the PRC. The credit risk associated with cash and cash equivalents is limited because the counterparties are reputable banks.

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

Further details of credit risks on trade and other receivables are disclosed in Notes 7 and 9 to the financial statements respectively.

The maximum amount the Company could be forced to settle under the financial guarantee contract in Note 37, if the full guaranteed amount is claimed by the counterparty to the guarantee is \$196,451,000 (2015 : \$106,914,000). Based on the expectations at the end of the reporting period, the Company considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.



# Notes to Financial Statements

December 31, 2016

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

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

(iv) Liquidity risk management

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

### *Liquidity and interest risk analysis*

#### Non-derivative financial liabilities

The following table details the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the statement of financial position.

	Weighted average effective interest rate %	On demand or less than 1 year \$'000	More than 1 year to 5 years \$'000	More than 5 years \$'000	Adjustment \$'000	Total \$'000
<b>Group</b>						
<b><u>2016</u></b>						
Non-interest bearing	–	380,664	–	–	–	380,664
Fixed interest rate	4.3	1,076	241,624	6,103	(16,318)	232,485
Variable interest rate	4.6	79,079	202,764	101,083	(58,265)	324,661
Total		460,819	444,388	107,186	(74,583)	937,810
<b><u>2015</u></b>						
Non-interest bearing	–	202,373	–	–	–	202,373
Fixed interest rate	5.9	105,396	267,079	–	(52,113)	320,362
Variable interest rate	5.1	249,235	139,026	92,803	(55,313)	425,751
Total		557,004	406,105	92,803	(107,426)	948,486
<b>Company</b>						
<b><u>2016</u></b>						
Non-interest bearing	–	15,064	–	–	–	15,064
Fixed interest rate	4.3	19	238,021	–	(14,508)	223,532
Total		15,083	238,021	–	(14,508)	238,596
<b><u>2015</u></b>						
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

# Notes to Financial Statements

December 31, 2016

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

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

(iv) Liquidity risk management (cont'd)

### Non-derivative financial assets

All non-derivative financial assets of the Group and the Company are on demand or due within 1 year except for the Group's trade receivables amounting to \$25,036,000 (2015 : \$4,687,000) and the Group's service concession receivables amounting to \$597,191,000 (2015 : \$504,819,000) as further disclosed in Notes 7 and 8 respectively.

The maximum amount that the Company could be forced to settle under the corporate guarantee contract in Note 37, if the full guaranteed amount is claimed by the counterparty to the guarantee, is \$196,451,000 (2015 : \$106,914,000).

The earliest period that the guarantee could be called is within 1 year (2015 : 1 year) from the end of the reporting period. As mentioned in Note 4(iii), the Company consider that it is more likely than not that no amount will be payable under the arrangement.

(v) Fair value of financial assets and financial liabilities

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

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

None of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period.

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

Other than medium term notes, which is disclosed in Note 23 in the financial statements, management considers that the carrying amounts of financial assets and financial liabilities of the Group and the Company recorded at amortised cost in the financial statements approximate their fair values.

## 5 RELATED PARTY TRANSACTIONS

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

	Group	
	January 1, 2016 to December 31, 2016 \$'000	April 1, 2015 to December 31, 2015 \$'000
<u>Associates</u>		
Sales of goods	43,219	35,794
<u>Non-controlling shareholder of a subsidiary</u>		
Income from waste water treatment	3,648	2,077
<u>Subsidiary of CITIC Group Corporation</u>		
Interest expense	619	-

# Notes to Financial Statements

December 31, 2016

## 5 RELATED PARTY TRANSACTIONS (cont'd)

### *Compensation of directors and key management personnel*

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

	Group	
	January 1, 2016 to December 31, 2016 \$'000	April 1, 2015 to December 31, 2015 \$'000
Short-term benefits	4,743	4,154
Share-based payments	4,095	4,095
Post-employment benefits	175	111
Total	<u>9,013</u>	<u>8,360</u>

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

## 6 CASH AND BANK BALANCES

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Fixed deposits	21,403	132,976	–	–
Cash at banks	472,058	407,398	110,426	198,024
Cash on hand	80	92	–	–
Cash and bank balances	<u>493,541</u>	<u>540,466</u>	<u>110,426</u>	<u>198,024</u>

The interest rates relating to fixed deposits for the Group ranged from 2.5% to 5.0% (2015 : 3.3% to 3.4%) per annum and are for a tenure of approximately 30 days (2015 : 90 to 210 days). These fixed deposits could be withdrawn at any time as required by the Group.

As at December 31, 2016, the Group had cash and cash equivalents placed with banks in PRC amounting to \$325,129,000 (2015 : \$164,178,000). The repatriation of these cash out of PRC is subjected to the Foreign Exchange Control Regulations in PRC.

## 7 TRADE RECEIVABLES

	Group	
	2016 \$'000	2015 \$'000
Outside parties	237,921	203,435
Related parties (Note 5)	28,581	19,599
	<u>266,502</u>	<u>223,034</u>
Less: Allowance for doubtful debts	(1,052)	(24)
Net	<u>265,450</u>	<u>223,010</u>

# Notes to Financial Statements

December 31, 2016

## 7 TRADE RECEIVABLES (cont'd)

Movement in allowance for doubtful debts:

	Group	
	2016	2015
	\$'000	\$'000
Balance at beginning of the year	24	24
Increase in allowance recognised in profit or loss	1,028	–
Balance at end of the year	1,052	24

Presentation on the Statements of Financial Position:

Current	240,414	218,323
Non-current	25,036	4,687
Total	265,450	223,010

The average credit period on sales of goods and rendering of services are 180 days (2015 : 180 days). No interest is charged on the overdue trade receivables.

The Group's non-current trade receivables amounting to \$25,036,000 (2015 : \$4,687,000) are due within 3 years (2015 : 3 years).

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

	Group	
	2016	2015
	\$'000	\$'000
Not past due and not impaired	169,712	131,878
Past due but not impaired (i)	95,738	91,132
Total	265,450	223,010
Impaired receivables - collectively assessed (ii)	1,052	24
Less: Allowance for impairment	(1,052)	(24)
Net	–	–
Total trade receivables, net	265,450	223,010

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

< 6 months	53,694	45,747
> 6 months to 18 months	24,245	29,450
> 18 months to 30 months	10,391	12,621
> 30 months	7,408	3,314
Total	95,738	91,132

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

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

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

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

# Notes to Financial Statements

December 31, 2016

## 8 SERVICE CONCESSION RECEIVABLES

The Group through its subsidiaries engages in the businesses of waste water treatment and water supply in the PRC (the “operator”) and has entered into a number of service concession arrangements with certain governmental authorities or their agencies in the PRC on a Build-Operate-Transfer (“BOT”) and Transfer-Operate-Transfer (“TOT”) basis in respect of its businesses. These service concession arrangements generally involve the Group as an operator to (i) construct waste water treatment and water supply plants for those arrangements on a BOT basis; (ii) pay a specific amount for those arrangements on a TOT basis; or (iii) operate and maintain the waste water treatment, water supply plants at a specified level of serviceability on behalf of the relevant governmental authorities for periods ranging from 20 to 30 years (the “service concession periods”), and the Group will be paid for its services over the relevant periods of the service concession arrangements at prices stipulated through pricing mechanism. The plants will be transferred to the respective grantors at the end of the service concession periods for BOT and TOT.

The Group is generally entitled to operate all the property, plant and equipment of the waste water treatment and water supply plants, however, the relevant governmental authorities as grantors control and regulate the scope of services the Group provides to the waste water treatment and water supply plants. Each of these service concession arrangements is governed by a contract and, where applicable, supplementary agreements entered into between the Group and the relevant governmental authorities or their agencies in the PRC that set out, inter alia, performance standards, mechanisms for adjusting prices for the services rendered by the Group, specific obligations levied on the Group to restore the waste water treatment and water supply to a specified level of serviceability at the end of the service concession periods, and arrangements for arbitrating disputes.

	Group	
	2016	2015
	\$'000	\$'000
Service concession receivables	603,439	509,161
Less: Non-current portion	(597,191)	(504,819)
Current portion	<u>6,248</u>	<u>4,342</u>

The maturity analysis of service concession receivables that are:

	Group	
	2016	2015
	\$'000	\$'000
In operation:		
On demand or within one year	6,248	4,342
In the second to fifth year inclusive	65,090	20,492
After five years	448,659	398,231
Total	<u>519,997</u>	<u>423,065</u>
Under construction	83,442	86,096
Total service concession receivables	<u>603,439</u>	<u>509,161</u>

# Notes to Financial Statements

December 31, 2016

## 8 SERVICE CONCESSION RECEIVABLES (cont'd)

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

- (a) The arrangements are 20 to 30 years concession arrangements for waste water treatment and water supply with the respective municipal governments under INT FRS 112 Service Concession Arrangements. The Group has a total of 29 (2015 : 24) service concession arrangements as the end of the reporting period.

Service concession receivables arose from the following:

Name of subsidiary as operator	Project name	Location in PRC	Name of grantor	Type of service concession arrangement	Contracted daily design capacity (tons/day)	Service concession period
Aton Environmental (Shenyang) Co. Ltd	新民市吉康污水处理厂	Xinmin City, Liaoning Province	新民市人民政府	TOT	50,000	30 years from 2011
CITIC Envirotech Water Resource (Bazhou) Co., Ltd.	霸州市污水处理厂/霸州市胜芳镇污水处理厂	Bazhou City, Hebei Province	河北省霸州市人民政府	BOT	40,000 / 50,000	24 to 25 years from 2008 and 2009
Weifang Bofa Water Treatment Co. Ltd	渤海污水厂	Weifang City, Shandong Province	潍坊滨海经济技术开发区管委会	BOT	10,000	30 years from 2014
CITIC Envirotech Water Resource (Mengzhou) Co., Ltd.	孟州市污水处理厂	Mengzhou City, Henan Province	河南省孟州市人民政府	BOT	50,000	25 years from 2008
United Envirotech Water (Changyi) Co. Ltd	下营污水厂	Changyi City, Shandong Province	昌邑滨海(下营)开发区管理委员会	BOT	40,000	30 years from 2013
CITIC Envirotech Water Resource (Yancheng Dafeng) Co., Ltd. (f.k.a. United Envirotech Water (Dafeng) Co. Ltd)	大丰石化园污水处理厂	Dafeng City, Jiangsu Province	大丰港经济区管委会	BOT	10,000	30 years from 2014
CITIC Envirotech Water Resource (Diaobingshan) Co. Ltd	调兵山污水处理厂	Diaobingshan City, Liaoning Province	辽宁省调兵山市人民政府	TOT	30,000	30 years from 2016
CITIC Envirotech Water Resource (Xintai) Co., Ltd. (f.k.a. United Envirotech Water (Xintai) Co. Ltd)	新泰楼德镇循环经济产业园污水处理厂	Xintai City, Shandong Province	新泰市人民政府、新泰市楼德镇人民政府	BOT	20,000	30 years from year of commencement of operation #
CITIC Envirotech Water (Guang An) Co. Ltd (f.k.a. United Envirotech Water Treatment (Guang An) Co. Ltd)	广安市前锋区城市生活污水处理厂	Guang An City, Sichuan Province	广安市前锋区人民政府	BOT	20,000	30 years from year of commencement of operation #
CITIC Envirotech Water Resource (Liaoyang) Co., Ltd.	辽阳市中心区污水处理厂一期	Liaoyang City, Liaoning Province	辽阳市人民政府	TOT	200,000	30 years from 2004



# Notes to Financial Statements

December 31, 2016

## 8 SERVICE CONCESSION RECEIVABLES (cont'd)

Name of subsidiary as operator	Project name	Location in PRC	Name of grantor	Type of service concession arrangement	Contracted daily design capacity (tons/day)	Service concession period
United Envirotech Water (Liaoyang Hongwei) Co. Ltd	辽阳市宏伟区污水处理厂二期	Liaoyang City, Liaoning Province	辽阳市宏伟区人民政府	TOT and BOT	20,000	30 years from year of 2016
CITIC Envirotech Water Treatment (Xintai) Co., Ltd. <i>f.k.a. United Envirotech Water Treatment (Xintai) Co. Ltd</i>	新泰厂 / 新汶厂	Xintai City, Shandong Province	新泰市人民政府	TOT	30,000 / 50,000	30 years from 2005 and 2007
CITIC Envirotech Water Resource (Yantai) Co., Ltd. <i>(f.k.a. United Envirotech Water (Yantai) Co. Ltd)</i>	烟台牟平区污水处理厂	Yantai City, Shandong Province	烟台市牟平区城市管理行政执法局	BOT	30,000	30 years from year of 2015
United Envirotech Water (Dongying) Co. Ltd	东营污水厂	Dongying City, Shandong Province	山东省东营市经济技术开发区管委会	TOT	30,000	30 years from 2014
United Envirotech Water Resource (Gaoyang) Co., Ltd <i>(f.k.a. Gaoyang Bishuiliantian Water Co. Ltd)</i>	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	滏池污水厂	Mianchi County, Henan Province	河南省滏池县人民政府	BOT	30,000	25 years from 2012
United Envirotech Water (Laixi) Co. Ltd	莱西污水厂4期	Qingdao City, Shandong Province	莱西市污水处理管理处 (莱西市财政局)	BOT	20,000	25 years from 2016
United Envirotech Water Resource (Liaoyang Taizihe) Co. Ltd	辽阳市中心区污水处理厂二期/ 辽阳市佟二堡污水处理厂/ 辽阳市河东新城污水处理厂/ 辽阳市辽阳县污水处理厂	Liaoyang City, Liaoning Province	辽阳市人民政府	PPP/TOT/BOT	200,000 / 20,000 / 30,000 / 35,000	15 to 20 years from 2010, 2013, 2015 and 2012
Fuqing Li Yang Water Co., Ltd	福清市融元污水处理厂	Fuqing City, Fujian Province	福清市人民政府	BOT	120,000	20 years from 2007
Shaxian Lan Fang Water Co. Ltd	沙县城区污水处理厂	Shaxian County, Fujian Province	沙县城乡建设规划局	BOT	30,000	25 years from 2013
CITIC Envirotech Water Resource (Zaozhuang) Co. Ltd	枣庄市邹坞镇污水处理厂	Zaozhuang City, Shandong Province	枣庄市邹坞镇人民政府	TOT	10,000	30 years from 2016
CITIC Envirotech Water Resource (Hegang) Co. Ltd*	西区污水厂/ 东区污水厂	Hegang City, Heilongjiang Province	黑龙江省鹤岗市人民政府	BOT	50,000 / 30,000	30 years from 2010 and 2011

# The plants, which are currently under construction, are expected to be completed and to commence operation in fiscal year 2017.

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

# Notes to Financial Statements

December 31, 2016

## 8 SERVICE CONCESSION RECEIVABLES (cont'd)

- (b) For the above arrangements, the Group has a contractual right under the concession arrangements to receive a fixed and determinable amount of payments during the concession period irrespective of the usage of the plants. Under the terms of the arrangements, the Group will receive a yearly minimum amount of RMB524,126,000 (equivalent to \$108,887,000) [2015 : RMB438,959,000 (equivalent to \$96,659,000)] from the contracted parties (grantors) in exchange for services performed by the Group.
- (c) All the waste water treatment arrangements state the rights and obligations for the grantors and operator as follows:
- (i) The operator has an unconditional right to use the land and infrastructure within the waste water plant. The operator also has an unconditional right to receive payment from the local government for treatment of waste water.
  - (ii) The operator has the obligation to treat the required amount of waste water and also to ensure that the treated water fulfil the standard quality requirement of the grantor. In addition, the operator cannot provide waste water treatment services to third parties without seeking permission from the grantor.
  - (iii) The infrastructure including the plant and equipment, "know-how", operations manual, hand-over report, design of infrastructure and related documents, for the waste water treatment plant will be transferred over to the grantor or any grantor appointed agencies at the end of the concession period.
  - (iv) The arrangement is terminated only when the other party breaches the contract or due to unforeseeable circumstance.
  - (v) The operator has the obligation to maintain and restore the waste water plant to its operational condition upon transferring to the grantor at the end of the concession period.
- (d) Service concession receivables amounting to \$221,664,000 (2015 : \$226,716,000) are pledged to secure the loans for the Group (Note 19).
- (e) The fair value of the non-current portion of financial receivables approximates its carrying value, as management is of the opinion that the effective interest rates used ranging from 5.68% to 11.70% per annum (2015 : 6.36% to 14.50% per annum) is appropriate.
- (f) Revenue and gross profits for the year arising from service concession arrangement under service concession receivables and intangible assets (Note 17) for the provision of construction services amount to \$278,997,000 (2015 : \$100,522,000) and \$83,606,000 (2015 : \$29,946,000) respectively which form part of revenue from environmental engineering projects (Note 29).
- (g) The counterparties of the above service concession arrangements are municipal governments in People's Republic of China. Management is of the view that the associated credit risk is not significant.

# Notes to Financial Statements

December 31, 2016

## 9 OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Deposits for projects	26,834	71,820	–	–
Prepayments and advance payment to suppliers	27,543	38,924	–	–
Other deposits	1,638	1,131	1,057	304
VAT receivable	38,057	7,299	–	–
Dividend receivable from subsidiaries (Note 13)	–	–	141,581	67,581
Subsidiaries (Note 13)	–	–	706,926	647,595
Deposit for acquisition of subsidiaries	3,915	16,702	1,440	16,702
Amount due from non-controlling shareholder (Note 5)	13,577	–	–	–
Other receivables	29,669	27,815	49	49
<b>Total</b>	<b>141,233</b>	<b>163,691</b>	<b>851,053</b>	<b>732,231</b>

Included in deposits for projects in the prior financial year was an amount of \$65,520,000 which relates to deposit for the BOT and TOT concessions for waste water treatment plant in Liaoyang Taizihe, Liaoning Province, PRC and Indonesia. As disclosed in Note 41, the Group has undertaken a project of approximately \$119,300,000 in 2015 for a TOT waste water treatment plan in Liaoyang Taizihe, Liaoning Province, PRC.

### Presentation on the Statements of Financial Position:

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Current	141,233	163,691	851,053	732,231
Non-current (Note A)	15,577	16,293	–	–
<b>Total</b>	<b>156,810</b>	<b>179,984</b>	<b>851,053</b>	<b>732,231</b>

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

### Note A

This represents a prepayment for a TOT waste water treatment plant in Tangshan City, Hebei Province in the PRC.

## 10 INVENTORIES

	Group	
	2016 \$'000	2015 \$'000
Raw materials, at cost	10,990	8,728
Trading merchandise, at cost	2,787	1,842
<b>Total</b>	<b>13,777</b>	<b>10,570</b>

# Notes to Financial Statements

December 31, 2016

## 11 PREPAID LEASES

	Group	
	2016 \$'000	2015 \$'000
Cost:		
At beginning of year	39,257	8,766
Exchange realignment	(1,505)	(241)
Additions	4,491	–
Acquisition of subsidiaries (Note 39)	1,432	30,732
At end of year	43,675	39,257
Accumulated amortisation:		
At beginning of year	1,787	1,117
Exchange realignment	(38)	(21)
Charge to profit or loss	1,194	691
At end of year	2,943	1,787
Carrying amount:		
At December 31, 2016	40,732	37,470
At December 31, 2015	37,470	7,649

### Presentation on Statements of Financial Position:

	Group	
	2016 \$'000	2015 \$'000
Current assets	736	766
Non-current assets	39,996	36,704
Total	40,732	37,470

This represents prepaid lease payments for land use rights for ten (2015 : eight) pieces of land located in the PRC on which the treatment plants of the subsidiaries are erected. All the land leases run for an initial period of 50 years commencing between 2007 and 2016.

None of these leases include contingent rentals.

As at the end of the reporting period, the Group has pledged land use right with carrying amount of \$29,186,000 (2015 : \$7,237,000) to secure project financing facilities granted to the Group (Note 19).

## 12 ASSETS CLASSIFIED AS HELD FOR SALE

On February 5, 2015, the Group signed an agreement to dispose of one of the Group's subsidiaries, Heilongjiang Qitaihe Wanxinglong Water Co. Ltd. ("Qitaihe WXL") to Harbin Wanxinglong Development Co. Ltd., the non-controlling shareholder, for a total proceed of RMB24,870,000 (\$5,503,000) which will be settled in four tranches with completion expected in 2016. On October 24, 2016, the settlement of the proceed has been completed. Subsequent to the disposal, the Group ceased to have any interest in Qitaihe WXL.

On December 1, 2016, the Group signed an agreement to dispose of one of the Group's subsidiaries, CITIC Envirotech Water Resource (Hegang) Co., Ltd (f.k.a. United Envirotech Water (Hegang) Co., Ltd) to Longjiang Environmental Group Co. Ltd., for a total consideration of RMB 112,090,000 (\$23,692,000). Subsequent to the financial year, the Group received the consideration in full and shares have been fully transferred on January 11, 2017.

# Notes to Financial Statements

December 31, 2016

## 12 ASSETS CLASSIFIED AS HELD FOR SALE (cont'd)

In accordance with FRS 105 Non-current Assets Held for Sale and Discontinued Operations, the assets and liabilities of the subsidiary are expected to be disposed within twelve months, and have been presented separately as "assets classified as held for sale" and "liabilities directly associated with assets classified as held for sale" in the statements of financial position.

As the net carrying amount of the relevant assets and liabilities exceeds (2015 : is below) the proceed for the disposal, an impairment loss of \$2,494,000 (2015: \$Nil) has been recognised on these assets classified as held for sale.

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

	Group	
	2016	2015
	\$'000	\$'000
<b>Assets classified as held for sale</b>		
Property, plant and equipment	402	–
Intangible asset	6,710	27,756
Service concession receivable	40,154	–
Trade and other receivables	7,999	6,826
Cash and bank balances	380	–
	55,645	34,582
<b>Liabilities directly associated with assets classified as held for sale</b>		
Trade payable	6	8,915
Other payables	19,443	21,176
Income tax payable	758	1,147
Bank loan	9,651	–
Deferred tax liability	2,095	–
	31,953	31,238
Net assets of disposal group	23,692	3,344

## 13 SUBSIDIARIES

	Company	
	2016	2015
	\$'000	\$'000
Unquoted equity shares, at cost	395,210	257,956
Exchange realignment	14,276	16,244
Financial guarantee contracts	2,304	2,424
Net	411,790	276,624
Due from subsidiaries (non-trade)	1,533	2,399
Total	413,323	279,023

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

# Notes to Financial Statements

December 31, 2016

## 13 SUBSIDIARIES (cont'd)

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities/Country of incorporation and operation	Group's effective interest and voting power held	
		2016 %	2015 %
CITIC Envirotech Investment (China) Co. Ltd. <sup>(c)</sup>	Investment holding company/ PRC	100 <sup>#</sup>	–
CITIC Envirotech Water Resource (Hegang) Co. Ltd. <sup>(c)</sup> (f.k.a. United Envirotech Water (Hegang) Co. Ltd)	Operation of awater treatment plant/ PRC	100*	100
CITIC Envirotech Water Resource (Liaoyang) Co., Ltd <sup>(a)</sup>	Operation of water treatment plant/PRC	100	100
CITIC Envirotech Water Resource (Weishan) Co., Ltd <sup>(c)</sup>	Operation of water treatment plant/ PRC	100	100
CITIC Envirotech Water Resource (Xiaochang) Co., Ltd <sup>(a)</sup>	Operation of water treatment plant/ PRC	95 <sup>#</sup>	–
CITIC Envirotech Water Resource (Yancheng Dafeng) Co., Ltd <sup>(a)</sup>	Operation of water treatment plant/ PRC	100	100
CITIC Envirotech Water Resource (Zaozhuang) Co., Ltd <sup>(c)</sup>	Operation of water treatment plant/ PRC	100 <sup>#</sup>	–
CITIC Envirotech Water Treatment (Liaoyang) Co., Ltd <sup>(a)</sup>	Operation of water treatment plant/ PRC	100	100
CITIC Envirotech Water Treatment (Xintai) Co. Ltd <sup>(a)</sup> (f.k.a. United Envirotech Water Treatment (Xintai) Co. Ltd)	Operation of water treatment plant/ PRC	100	100
Jiangsu Memstar Membrane Material Technology Co., Ltd <sup>(c)</sup>	Manufacture and distribution of polyvinylidin (PVDF) hollow fibre membrane, membrane products and membrane system for both the industrial and domestic/commercial sectors/ PRC	100	100
Memstar Holding Pte Ltd <sup>(c)</sup>	Investment holding company/ Singapore	80 <sup>#</sup>	–
Memstar Pte. Ltd. <sup>(b)</sup>	Manufacturing of polymers and investment holding /Singapore	100	100
Nantong ChangAn Water Co., Ltd <sup>(c)</sup>	Operation of water treatment plant/ PRC	70 <sup>@</sup>	–
Novo Envirotech (Tianjin) Co. Ltd <sup>(a)</sup>	Environmental engineering/ PRC	100	100
UE Novo (Malaysia) Sdn. Bhd. <sup>(c)</sup>	Investment holding company/ Malaysia	100	100
United Envirotech (Fuzhou) Co Ltd <sup>(a)</sup>	Environmental engineering/ PRC	100	100
United Envirotech (Hong Kong) Co. Ltd <sup>(a)</sup>	Investment holding company/ Hong Kong	100	100
United Envirotech Water Resource (Liaoyang Taizihe) Co., Ltd <sup>(a)</sup>	Operation of water treatment plant/ PRC	100	100
United Envirotech Water Resource Pte Ltd <sup>(b)</sup>	Investment holding company/ Singapore	100	100
United Envirotech Water Treatment (Dafeng) Co., Ltd <sup>(a)</sup>	Management of waste water treatment system/ PRC	50/67 <sup>@@</sup>	50/67 <sup>@@</sup>
Weifang United Envirotech Enviromental Sci-tech Co., Ltd <sup>(c)</sup>	Operation of waste treatment plant/ PRC	100 <sup>#</sup>	–



# Notes to Financial Statements

December 31, 2016

## 13 SUBSIDIARIES (cont'd)

Name of subsidiaries	Principal activities/Country of incorporation and operation	Group's effective interest and voting power held	
		2016 %	2015 %
<b>Subsidiaries of CITIC Envirotech Investment (China) Co. Ltd.:</b>			
CITIC Environment Harnessing Valley (Jiangsu) Co., Ltd <sup>(c)</sup>	Management of water treatment system/ PRC	90 #	–
CITIC Envirotech (Guangzhou) Co., Ltd <sup>(a)</sup>	Environmental engineering/ PRC	100	100
CITIC Envirotech (Rudong) Co., Ltd <sup>(c)</sup>	Operation of water treatment plant/ PRC	100	100
CITIC Envirotech Water Resource (Guangzhou) Co., Ltd <sup>(c)</sup>	Management of waste water treatment system/ PRC	100	100
Rizhao United Envirotech Co., Ltd <sup>(c)</sup>	Operation of waste treatment plant/ PRC	70 #	–
United Envirotech Water (Haimen) Co., Ltd <sup>(c)</sup>	Operation of water treatment plant/ PRC	100	100
<b>Subsidiaries of Novo Envirotech (Guangzhou) Co. Ltd.:</b>			
CITIC Envirotech (Shantou) Integrated Dyestuff Environmental Development Co., Ltd <sup>(c)</sup>	Management of circular economy/ PRC	51 #	–
CITIC Envirotech Water Resource (HeFei) Co. Ltd <sup>(c)</sup> (f.k.a Anhui Water Star Treatment and Operation Co. Ltd)	Manage and operate industrial waste water treatment plant/ PRC	100	100
Fujian Liyang Environmental Protection Co., Ltd <sup>(a)</sup>	Operation of water treatment plant/ PRC	100 <sup>@</sup>	–
Gaoyang Bishuilantian Water Co. Ltd <sup>(a)</sup>	Operation of water treatment plant/ PRC	– ##	100
Guangdong Zhihui Environmental Engineering Technology Co., Ltd <sup>(c)</sup>	Environmental engineering/ PRC	60 #	–
Mianchi Hongwei Co. Ltd <sup>(c)</sup>	Operation of industrial waste water treatment plant/ PRC	55	55
Novo Envirotech (Yantai) Co. Ltd <sup>(c)</sup>	Environmental engineering/ PRC	75	75
United Envirotech Water (Mianchi) Co. Ltd <sup>(c)</sup>	Operation of water treatment plant/ PRC	100	100
United Envirotech Water Resource (Gaoyang) Co., Ltd <sup>(a)</sup>	Operation of water treatment plant/ PRC	100 #	–
<b>Subsidiary of Gaoyang Bishuilantian Water Co. Ltd:</b>			
Gaoyang Changrun Water Co. Ltd <sup>(c)</sup>	Operation of waste water and industrial waste water treatment plant/ PRC	– ##	100
<b>Subsidiary of UE Novo (Malaysia) Sdn. Bhd.:</b>			
Dataran Tenaga (M) Sdn. Bhd. <sup>(c)</sup>	Trading of pumps and engineering services/ Malaysia	100	100

# Notes to Financial Statements

December 31, 2016

## 13 SUBSIDIARIES (cont'd)

Name of subsidiaries	Principal activities/Country of incorporation and operation	Group's effective interest and voting power held	
		2016 %	2015 %
<b>Subsidiary of Fujian Liyang Environmental Protection Co., Ltd:</b>			
Fuqing Liyang Water Co., Ltd <sup>(c)</sup>	Operation of industrial waste water treatment plant/ PRC	100 <sup>@</sup>	—
Shaxian Lanfang Water Co., Ltd <sup>(c)</sup>	Operation of industrial waste water treatment plant/ PRC	100 <sup>@</sup>	—
<b>Subsidiary of Memstar Holding Pte Ltd:</b>			
Memstar USA Inc <sup>(c)</sup>	Manufacturing of polymers and investment holding/ USA	100 <sup>#</sup>	—
<b>Subsidiaries of United Envirotech Water Resource Pte Ltd:</b>			
Aton Environmental (Shenyang) Co. Ltd <sup>(c)</sup>	Operation of water treatment plant/ PRC	100	100
CITIC Envirotech Water Resource (Diaobingshan) Co Ltd <sup>(c)</sup> (f.k.a United Envirotech Water (Diaobingshan) Co Ltd)	Operation of water treatment plant/ PRC	100	100
CITIC Envirotech Water (Guang An) Co. Ltd <sup>(c)</sup> (f.k.a. United Envirotech Water (Guang An) Co. Ltd)	Operation of water treatment plant/ PRC	90	90
CITIC Envirotech Water Resource (Siyang) Co., Ltd <sup>(a)</sup>	Operation of water treatment plant/ PRC	100	100
CITIC Envirotech Water Resource (Xintai) Co Ltd <sup>(c)</sup> (f.k.a United Envirotech Water (Xintai) Co. Ltd)	Operation of water treatment plant/ PRC	100	100
PT CITIC Envirotech Indonesia <sup>(c)</sup>	Operation of water treatment plant/ Indonesia	70	70
PT Sumut Tirta Resource <sup>(c)</sup>	Operation of water treatment plant/ Indonesia	70	70
United Envirotech Water (Changyi) Co Ltd <sup>(a)</sup>	Operation of water treatment plant/ PRC	82	82
United Envirotech Water (Dongying) Co. Ltd <sup>(a)</sup>	Operation of water treatment plant/ PRC	100	100
United Envirotech Water (Laixi) Co. Ltd <sup>(c)</sup>	Operation of water treatment plant/ PRC	100	100
United Envirotech Water (Liaoyang Hongwei) Co. Ltd <sup>(c)</sup>	Operation of water treatment plant/ PRC	100	100
United Envirotech Water (Qidong) Co. Ltd <sup>(a)</sup>	Operation of water treatment plant/ PRC	70	70
United Envirotech Water Resource (Xinmin) Co. Ltd <sup>(c)</sup>	Operation of water treatment plant/ PRC	100	100
CITIC Envirotech Water Resource (Yantai) Co. Ltd <sup>(c)</sup> (f.k.a United Envirotech Water (Yantai) Co. Ltd)	Operation of water treatment plant/ PRC	100	100

# Notes to Financial Statements

December 31, 2016

## 13 SUBSIDIARIES (cont'd)

Name of subsidiaries	Principal activities/Country of incorporation and operation	Group's effective interest and voting power held	
		2016 %	2015 %
<b>Subsidiaries of Memstar Pte Ltd:</b>			
Bazhou Shengfang Water Services Co. Ltd <sup>(c)</sup>	Operation of water treatment plant/ PRC	50 **	50 **
CITIC Envirotech Water Resource (Bazhou) Co., Ltd. <sup>(a)</sup>	Operation of water treatment plant/ PRC	100	100
CITIC Envirotech Water Resource (Mengzhou) Co., Ltd. <sup>(c)</sup>	Operation of water treatment plant/ PRC	100	100
CITIC Envirotech Water Resource (Tangshan) Co., Ltd. <sup>(c)</sup>	Operation of water treatment plant/ PRC	100	100
Maxrise Envirogroup Ltd <sup>(c)</sup>	Investment holding company/ Hong Kong	100	100
Max Rise Water Service Holdings <sup>(c)</sup>	Investment holding company/ Hong Kong	100	100
Memstar (Guangzhou) Co. Ltd <sup>(c)</sup>	Manufacture and distribution of polyvinylidene (PVDF) hollow fibre membrane, membrane products and membrane system for both the industrial and domestic/commercial sectors/ PRC	100	100
Memstar (Mianyang) Co. Ltd <sup>(a)</sup>	Operation of water treatment plant/ polyvinylidene (PVDF) hollow fibre membrane, membrane products and membrane system for both the industrial and domestic/commercial sectors/ PRC	100	100
Memstar Water Pte Ltd (c)	Investment holding company/ Singapore	100	100
<b>Subsidiaries of United Envirotech Water (Changyi) Co. Ltd.:</b>			
Weifang Bofa Water Treatment Co. Ltd (a)	Operation of water treatment plant/ PRC	82	82

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

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

# Incorporated during the financial year.

## These subsidiaries have been merged with United Envirotech Water Resource (Gaoyang) Co., Ltd during the financial year.

@ Acquired during the financial year.

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

Notes on auditors:

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

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

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

# Notes to Financial Statements

December 31, 2016

## 13 SUBSIDIARIES (cont'd)

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

Principal activity	Place of Incorporation and operation	Number of wholly-owned subsidiaries	
		2016	2015
Environmental engineering	PRC	3	3
Investment holding company	Malaysia	1	1
Investment holding company	Singapore	2	2
Investment holding company	Hong Kong	3	3
Investment holding company	PRC	1	–
Manage and operate industrial waste water treatment plant	PRC	1	1
Management of waste water treatment system	PRC	1	1
Manufacture and distribution of polyvinylidene (PVDF) hollow fibre membrane, membrane products and membrane system for both the industrial and domestic/ commercial sectors	PRC	2	2
Manufacturing of polymers and investment holding	Singapore	1	1
Manufacturing of polymers and investment holding	USA	1	–
Operation of industrial waste water treatment plant	PRC	2	–
Operation of waste treatment plant	PRC	1	–
Operation of water treatment plant	PRC	25	22
Operation of water treatment plant/ polyvinylidene hollow fibre (PVDF) membrane, membrane products and membrane system for both industrial and domestic/commercial sectors	PRC	1	1
Trading of pumps and engineering services	Malaysia	1	1
		<u>46</u>	<u>38</u>

Principal activity	Place of Incorporation and operation	Number of non-wholly-owned subsidiaries	
		2016	2015
Environmental engineering	PRC	2	1
Investment holding company	Singapore	1	–
Management of circular economy	PRC	1	–
Management of waste water treatment system	PRC	2	1
Operation of waste treatment plant	PRC	1	–
Operation of water treatment plant/ Industrial waste water treatment plant	PRC/Indonesia	10	9
		<u>17</u>	<u>11</u>

# Notes to Financial Statements

December 31, 2016

## 13 SUBSIDIARIES (cont'd)

The table below shows details of non-wholly owned subsidiary of the Group that have material non-controlling interest for the financial year ended December 31, 2016:

Name of subsidiaries	Place of incorporation and operation	Proportion of effective equity interest held by non-controlling interests		Profit (Loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2016 %	2015 %	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
United Envirotech Water (Changyi) Co. Ltd. or ("Changyi")	PRC	18	18	639	480	11,533	10,894
United Envirotech Water Treatment (Dafeng) Co., Ltd or ("Dafeng")	PRC	50	50	1,537	1,326	17,454	15,923
United Envirotech Water (Qidong) Co. Ltd or ("Qidong")	PRC	30	30	198	(53)	4,817	4,966
CITIC Environment Harnessing Valley (Jiangsu) Co., Ltd or ("Jiangsu")	PRC	10	–	379	–	5,173	–
Rizhao United Envirotech Co., Ltd or ("Rizhao")	PRC	30	–	–	–	5,127	–
CITIC Envirotech (Shantou) Integrated Dyestuff Environmental Development Co., Ltd or ("Shantou")	PRC	49	–	–	–	61,276	–
Guangdong Zhihui Environmental Engineering Technology Co., Ltd or ("Zhihui")	PRC	40	–	(36)	–	780	–
Individually immaterial subsidiaries with non-controlling interests				(73)	95	10,367	7,225
				2,644	1,848	116,527	39,008

# Notes to Financial Statements

December 31, 2016

## 13 SUBSIDIARIES (cont'd)

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

	Changyi		Dafeng		Qidong		Jiangsu	Rizhao	Shantou	Zhihui
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016* \$'000	2016* \$'000	2016* \$'000	2016* \$'000
Current assets	30,325	24,036	9,343	8,318	2,176	2,348	63,549	19,360	129,322	2,147
Non-current assets	163,743	160,546	33,430	34,818	26,932	29,098	91	15,238	33,721	178
Current liabilities	(106,805)	(121,509)	(7,063)	(7,260)	(7,369)	(14,894)	(11,902)	(17,507)	(37,990)	(375)
Non-current liabilities	(22,919)	(6,038)	(802)	(4,030)	(5,683)	-	-	-	-	-
Equity attributable to owners of the Company	52,811	46,141	17,454	15,923	11,239	11,586	46,565	11,964	63,777	1,170
Non-controlling interests	11,533	10,894	17,454	15,923	4,817	4,966	5,173	5,127	61,276	780

	Changyi		Dafeng		Qidong		Jiangsu	Rizhao	Shantou	Zhihui
	January 1, 2016 to December 31, 2016 \$'000	April 1, 2015 to December 31, 2015 \$'000	January 1, 2016 to December 31, 2016 \$'000	April 1, 2015 to December 31, 2015 \$'000	January 1, 2016 to December 31, 2016 \$'000	April 1, 2015 to December 31, 2015 \$'000	January 1, 2016 to December 31, 2016* \$'000	January 1, 2016 to December 31, 2016* \$'000	January 1, 2016 to December 31, 2016* \$'000	January 1, 2016 to December 31, 2016* \$'000
Revenue	23,955	21,648	9,931	7,617	5,522	2,788	14,209	-	-	415
Expense	(20,405)	(18,983)	(6,856)	(4,965)	(4,863)	(2,964)	(10,418)	-	-	(505)
Profit (Loss) for the year, representing total comprehensive income for the year	3,550	2,665	3,075	2,652	659	(176)	3,791	-	-	(90)
Profit (Loss) for the year, representing total comprehensive income attributable to owners of the Company	2,911	2,185	1,538	1,326	461	(123)	3,412	-	-	(54)
Profit (Loss) for the year, representing total comprehensive income attributable to non-controlling interest	639	480	1,537	1,326	198	(53)	379	-	-	(36)
Net cash (outflow) inflow from operating activities	(4,357)	21,545	4,665	(2,768)	(6,907)	39	(24)	-	-	(148)
Net cash outflow from investing activities	(6,051)	(7,830)	(1,466)	(1,026)	(86)	-	(91)	-	(20,807)	(178)
Net cash inflow (outflow) from financing activities	8,594	(15,484)	(1,878)	4,796	7,232	-	43,143	11,963	125,053	2,041
Net cash (outflow) inflow	(1,814)	(1,769)	1,321	1,002	239	39	43,028	11,963	104,246	1,715

\* Newly incorporated during the financial year.



# Notes to Financial Statements

December 31, 2016

## 14 ASSOCIATES

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Unquoted equity shares, at cost	10,996	10,611	10,588	10,611
Share of post-acquisition loss and reserves	6,811	(3)	–	–
	<u>17,807</u>	<u>10,608</u>	<u>10,588</u>	<u>10,611</u>

Details of the associates are as follows:

Name of subsidiaries	Principal activities/Country of incorporation and operation	Group's effective interest and voting power held	
		2016 %	2015 %
Beijing Beipai Membrane Technology Co., Ltd <sup>(a)</sup>	Manufacturing of membrane products/ PRC	49	49
Chengdu Xingrong Environment Co., Ltd <sup>(b)</sup>	Environmental engineering / PRC	49	49
Dongguan Huache Low Carbon Environmental Industry Park Management Co., Ltd <sup>(c)</sup>	Environmental engineering / PRC	40	–

Notes on auditors:

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

(b) Audited by Deloitte & Touche LLP, Singapore for consolidation purpose.

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

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

Aggregate financial information of the associates are set out below:

	Group	
	2016 \$'000	2015 \$'000
Current assets	97,565	54,674
Non-current assets	774	710
Current liabilities	(63,298)	(33,736)
Net assets	<u>35,041</u>	<u>21,648</u>
Group's share of associates' net assets	<u>17,807</u>	<u>10,608</u>

	Group	
	January 1, 2016 to December 31, 2016 \$'000	April 1, 2015 to December 31, 2015 \$'000
Revenue	<u>122,597</u>	<u>10,589</u>
Profit (Loss) for the year	<u>13,540</u>	<u>(6)</u>
Group's share of associates' profit (loss) for the year	<u>6,814</u>	<u>(3)</u>

# Notes to Financial Statements

December 31, 2016

## 15 PROPERTY, PLANT AND EQUIPMENT

Group	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 <sup>(a)</sup> \$'000	Total \$'000
<b>Cost</b>										
At April 1, 2015	102	660	18,823	1,359	4,904	46,975	29,427	3,171	–	105,421
Exchange realignment	(5)	(30)	–	(19)	(96)	(3,152)	(1,720)	(57)	(2,425)	(7,504)
Subsidiaries acquired (Note 39)	–	–	–	–	–	–	–	72	–	72
Additions	–	–	10,758	229	629	12,877	26	2,602	58,329	85,450
Disposals	–	–	–	–	(276)	–	–	(555)	–	(831)
At December 31, 2015	97	630	29,581	1,569	5,161	56,700	27,733	5,233	55,904	182,608
Exchange realignment	(3)	–	(897)	(66)	(208)	(2,062)	(1,183)	(141)	(1,112)	(5,672)
Subsidiaries acquired (Note 39)	–	–	–	–	430	–	–	199	7	636
Additions	–	–	411	170	498	8,872	2,560	438	246,368	259,317
Transfer to service concession receivables (Note 8)	–	–	–	–	–	–	–	–	(12,691)	(12,691)
Transfer to intangible assets (Note 17)	–	–	–	–	–	–	–	–	(7,104)	(7,104)
Asset held for sale (Note 12)	–	–	–	–	(84)	(424)	–	(32)	–	(540)
Disposals	–	–	–	(10)	(172)	–	–	(28)	–	(210)
At December 31, 2016	94	630	29,095	1,663	5,625	63,086	29,110	5,669	281,372	416,344

(a) Pertains to construction work in progress carried out on water treatment and water supply plants which will be transferred to service concession receivables and/or intangible assets upon completion.

# Notes to Financial Statements

December 31, 2016

## 15 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Freehold land \$'000	Freehold building \$'000	Lease- hold building \$'000	Leasehold improvements \$'000	Motor vehicles \$'000	Plant and machinery \$'000	Treatment plants \$'000	Office equipment, furniture and fittings \$'000	Construction in progress \$'000	Total \$'000
Accumulated depreciation										
At April 1, 2015	-	63	2,382	797	2,973	15,127	5,242	2,018	-	28,602
Exchange realignment	-	(5)	(110)	(30)	(62)	(1,560)	(321)	(43)	-	(2,131)
Depreciation	-	-	803	107	402	4,673	1,424	450	-	7,859
Disposals	-	-	-	-	(256)	-	-	(366)	-	(622)
At December 31, 2015	-	58	3,075	874	3,057	18,240	6,345	2,059	-	33,708
Exchange realignment	-	-	(373)	(39)	(131)	(1,294)	(341)	(87)	-	(2,265)
Subsidiaries acquired (Note 39)	-	-	-	-	399	-	-	185	-	584
Depreciation	-	-	970	112	562	6,452	1,220	821	-	10,137
Assets held for sale (Note 12)	-	-	-	-	(84)	(23)	-	(31)	-	(138)
Disposals	-	-	-	(5)	(154)	-	-	(22)	-	(181)
At December 31, 2016	-	58	3,672	942	3,649	23,375	7,224	2,925	-	41,845
Accumulated impairment										
As at April 1, 2015	-	-	-	17	-	-	-	12	-	29
and December 31, 2015	-	-	-	-	-	-	-	-	-	-
and December 31, 2016	-	-	-	-	-	-	-	-	-	-
Carrying amount										
At December 31, 2016	94	572	25,423	704	1,976	39,711	21,886	2,732	281,372	374,470
At December 31, 2015	97	572	26,506	678	2,104	38,460	21,388	3,162	55,904	148,871

# Notes to Financial Statements

December 31, 2016

## 15 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Leasehold improvement \$'000	Motor vehicles \$'000	Office equipment \$'000	Total \$'000
<b>Company</b>				
<b>Cost</b>				
At April 1, 2015	95	462	129	686
Additions	–	–	7	7
At December 31, 2015	95	462	136	693
Additions	–	–	5	5
At December 31, 2016	95	462	141	698
<b>Accumulated depreciation</b>				
At April 1, 2015	87	199	102	388
Depreciation	7	46	3	56
At December 31, 2015	94	245	105	444
Depreciation	1	60	11	72
At December 31, 2016	95	305	116	516
<b>Carrying amount</b>				
At December 31, 2016	–	157	25	182
At December 31, 2015	1	217	31	249

The carrying amounts of the Group's and the Company's motor vehicles include amounts of \$726,000 (2015 : \$952,000) and \$157,000 (2015 : \$217,000) respectively which are held under finance leases (Note 22).

The Group has pledged its leasehold building and a treatment plant with total carrying amount of approximately \$16,955,000 (2015 : \$20,312,000) to banks for banking facilities granted to subsidiaries of the Group (Note 19).

## 16 GOODWILL

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

	Group	
	2016 \$'000	2015 \$'000
Dataran Tenaga (M) Sdn Bhd	1,346	1,346
Memstar Pte. Ltd. (Note a)	254,019	254,019
	<u>255,365</u>	<u>255,365</u>

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

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

# Notes to Financial Statements

December 31, 2016

## 16 GOODWILL (cont'd)

### Note a

The Group prepares cash flow forecasts derived from the most recent financial forecasts approved by management for the next four years using an average discount rate of 11.3% (2015: 11.3%) and a terminal growth rate of 2.0% (2015: 2.0%) per annum.

### *Sensitivity analysis*

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

## 17 INTANGIBLE ASSETS

	Customer contracts \$'000	Patents \$'000	Operating concessions \$'000	Club memberships \$'000	Total \$'000
<b>Group</b>					
<b>Cost</b>					
At April 1, 2015	6,430	4,180	191,689	200	202,499
Exchange realignment	–	–	(5,340)	–	(5,340)
Acquisition of subsidiaries (Note 39)	–	–	37,357	–	37,357
Additions	–	–	7,365	–	7,365
At December 31, 2015	6,430	4,180	231,071	200	241,881
Exchange realignment	–	–	(17,456)	–	(17,456)
Acquisition of subsidiaries (Note 39)	–	–	14,573	–	14,573
Additions	–	–	44,260	–	44,260
Reclassified as held-for-sale	–	–	(6,920)	–	(6,920)
Transfer from property, plant and equipment	–	–	7,104	–	7,104
Transfer from service concession receivables*	–	–	21,507	–	21,507
Transfer to service concession receivables	–	–	(1,667)	–	(1,667)
Reversal	–	–	(1,772)	–	(1,772)
At December 31, 2016	6,430	4,180	290,700	200	301,510
<b>Accumulated amortisation</b>					
At April 1, 2015	1,388	902	10,028	–	12,318
Exchange realignment	–	–	(131)	–	(131)
Amortisation for the year	923	627	5,862	–	7,412
At December 31, 2015	2,311	1,529	15,759	–	19,599
Exchange realignment	–	–	(498)	–	(498)
Reclassified as held-for-sale	–	–	(210)	–	(210)
Amortisation for the year	1,662	1,081	8,108	–	10,851
Transfer to service concession receivables	–	–	(126)	–	(126)
At December 31, 2016	3,973	2,610	23,033	–	29,616
<b>Carrying amount</b>					
At December 31, 2016	2,457	1,570	267,667	200	271,894
At December 31, 2015	4,119	2,651	215,312	200	222,282

\* Due to the renegotiation of the terms of the concession agreements with the grantors, the Group has reclassified the waste water treatment plants from service concession receivables to intangible assets.

# Notes to Financial Statements

December 31, 2016

## 17 INTANGIBLE ASSETS (cont'd)

### Customer contracts

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

### Patents

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

### Operating concessions

Operating concessions represent the rights to charge users of the public service for the water purification contracts. Such operating concession rights fall within the scope of INT FRS 112 Service Concession Arrangements. The operating concessions are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on straight-line basis over the respective periods of the operating concessions granted to the Group for periods ranging from 20 to 30 years (2015 : 20 to 30 years).

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

- (a) The Group has a total of 17 (2015 : 12) service concession arrangements as at the end of the reporting period.
- (b) Operating concessions amounting to \$32,140,000 (2015 : \$105,139,000) are pledged to secure the loans for the Group (Note 19).

	Group	
	2016 \$'000	2015 \$'000
<b>Amount to be amortised:</b>		
Not later than one year	10,913	8,906
Later than one year but not later than five years	38,820	41,895
Later than five years	222,161	171,481
Total	271,894	222,282

- (c) The recoverable amount of the intangible assets are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rate and growth rate. Management estimates discount rates using post-tax rates that reflect current market assessments of the time value of money and the risks specific to the operating concession units. The discount rate used in the value in use calculations was 9.4% (2015 : 8.6%) per annum. The growth rates used in the value in use calculations ranges from 0% to 16% (2015 : 0% to 16%).

As at December 31, 2016, any reasonably possible changes to the key assumptions applied is not likely to cause the recoverable amounts to be below the carrying amount of the operating concessions except as disclosed below. The sensitivity analyses below have been determined while holding all other assumptions constant.

If the discount rate is 100 and 200 basis points higher, the recoverable amounts will be below the carrying amount of the operating concessions by \$1,926,000 and \$20,032,000 respectively.

# Notes to Financial Statements

December 31, 2016

## 17 INTANGIBLE ASSETS (cont'd)

Operating concessions arose from the following:

Name of subsidiary as operator	Project name	Location in PRC	Name of grantor	Type of service concession arrangement	Contracted daily design capacity (tons/day)	Service concession period
CITIC Envirotech Water Treatment (Liaoyang) Co. Ltd	辽阳市河东新城第四净水厂	Liaoyang City, Liaoning Province	辽阳市人民政府	BOT	50,000	30 years from 2014
United Envirotech Water (Changyi) Co. Ltd	柳疃污水厂 / 柳疃工业园污水厂 / 柳疃工业园供水厂 / 下营污水厂	Changyi City, Shandong Province	昌邑市柳疃镇人民政府 / 昌邑滨海(下营)经济开发区柳疃工业园区管理办公室	BOT and BOO	50,000 / 40,000 / 30,000 / 40,000	20 to 30 years from 2009 and 2013
CITIC Envirotech Water Resource (Siyang) Co. Ltd	城东厂一期 / 城东厂二期 / 泗阳供水厂	Siyang County, Jiangsu Province	江苏省泗阳经济开发区管理委员会	TOT and BOT	30,000 / 20,000 / 20,000	30 years from 2013, 2014 and 2016
United Envirotech Water (Qidong) Co. Ltd	启东滨江精细化工园水厂	Qidong County, Jiangsu Province	江苏省启东经济开发区滨江精细化工园管委会	TOT and BOT	30,000	30 years from 2014
CITIC Envirotech Water Resource (Bazhou) Co. Ltd	霸州市胜芳镇污水处理厂	Bazhou City, Hebei Province	河北省霸州市人民政府	BOT	50,000	30 years from 2009
CITIC Envirotech Water Resource (Hegang) Co., Ltd *	西区再生水利用工程 (中水厂)	Hegang City, Heilongjiang Province	黑龙江省鹤岗市人民政府	BOT	30,000	30 years from year of commencement of operation
United Envirotech Water Resource (Gaoyang) Co., Ltd	高阳县污水处理厂一期 / 高阳县污水处理厂二期工程	Gaoyang County, Hebei Province	河北省高阳县人民政府	BOT	80,000 / 120,000	28 years from 2010/2013
CITIC Envirotech Water Resource (Xiaochang) Co., Ltd	孝昌污水处理厂	Xiaochang County, Shandong Province	山东省孝昌县人民政府	BOT	30,000	27 years from 2016
Nantong Chang'an Water Co., Ltd	海安县污水厂 / 海安县净水厂	Hai'an County, Jiangsu Province	Agreement has not been signed as at date of report	Agreement has not been signed as at date of report	15,000	Operation from 2016
Fuqing Li Yang Water Co., Ltd	福清市融元污水处理厂	Fuqing City, Fujian Province	福清市人民政府	BOT	120,000	20 years from 2007

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



# Notes to Financial Statements

December 31, 2016

## 18 DEFERRED TAX ASSETS (LIABILITIES)

	Group	
	2016 \$'000	2015 \$'000
Deferred tax assets	1,111	517
Deferred tax liabilities	(45,432)	(36,376)
Net	(44,321)	(35,859)

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

	Temporary differences due to accounting under INT FRS112 \$'000	Other allowances \$'000	Net \$'000
	<b>Group</b>		
At April 1, 2015	(26,505)	950	(25,555)
Acquisition of subsidiaries (Note 39)	(5,000)	–	(5,000)
Charge to profit or loss (Note 33)	(4,871)	(433)	(5,304)
At December 31, 2015	(36,376)	517	(35,859)
Acquisition of subsidiaries (Note 39)	(3,306)	–	(3,306)
Charge to profit or loss (Note 33)	(5,750)	594	(5,156)
At December 31, 2016	(45,432)	1,111	(44,321)

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is \$17,916,000 (2015 : \$13,748,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of associates for which deferred tax liabilities have not been recognised is \$340,000. No liability has been recognised in respect of these differences because the amount is immaterial to the Group.

# Notes to Financial Statements

December 31, 2016

## 19 BANK LOANS

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Bank loans (unsecured)	–	43,546	–	–
Bank loans (secured)	333,367	382,205	–	–
<b>Total</b>	<b>333,367</b>	<b>425,751</b>	<b>–</b>	<b>–</b>
The loans are repayable as follows:				
On demand or within one year	76,499	237,141	–	–
More than one year	256,868	188,610	–	–
<b>Total</b>	<b>333,367</b>	<b>425,751</b>	<b>–</b>	<b>–</b>
Average effective interest rates (per annum)	4.6%	5.1%	–	–

The bank loans of the Group amounting to \$205,315,000 (2015 : \$140,552,000) are secured by the service concession receivables of its subsidiaries (Note 8d), prepaid leases (Note 11), treatment plants (Note 15) and intangible assets (Note 17) of its subsidiaries.

In 2015, the bank loans of the Group amounting to \$93,987,000 were secured by the shares of certain subsidiaries.

The bank loans of the Group amounting to \$8,707,000 (2015 : \$9,283,000) are secured by a charge over the Group's leasehold building (Note 15).

In 2015, bank loans of the Group amounting to \$126,436,000 were secured by standby letters of credit.

The bank loans of the Group amounting to \$119,345,000 (2015 : \$11,947,000) are secured by corporate guarantees.

Included in the above loan balance is an amount due to a related party, who is also a financial institution in PRC, amounting to \$82,387,000 (2015 : \$Nil). The loan is secured by corporate guarantee.

## 20 TRADE PAYABLES

	Group	
	2016 \$'000	2015 \$'000
Outside parties	310,048	140,708

The average credit period on purchases of goods is 30 days (2015 : 30 days). No interest is charged on overdue trade payables.

# Notes to Financial Statements

December 31, 2016

## 21 OTHER PAYABLES

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Value added tax	23,046	20,927	–	–
Advance receipts	492	592	–	–
Accruals	6,993	12,939	706	1,077
Subsidiaries (Note 13)	–	–	–	14,726
Deferred income	14,848	140	–	–
Tender deposits	7,219	6,348	–	–
Interest payable	14,358	177	14,358	5,268
Other payables to outside parties	12,454	11,518	–	–
<b>Total</b>	<b>79,410</b>	<b>52,641</b>	<b>15,064</b>	<b>21,071</b>

## 22 FINANCE LEASES

	Group				Company			
	Minimum lease payments		Present value of minimum lease payments		Minimum lease payments		Present value of minimum lease payments	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Within one year	178	114	161	180	22	26	17	17
In the second to fifth year inclusive	181	356	164	218	71	96	66	76
After the fifth year	6	21	5	38	–	7	–	7
<b>Total</b>	<b>365</b>	<b>491</b>	<b>330</b>	<b>436</b>	<b>93</b>	<b>129</b>	<b>83</b>	<b>100</b>
Less: Future finance charges	(35)	(55)	NA	NA	(10)	(29)	NA	NA
<b>Present value of lease obligations</b>	<b>330</b>	<b>436</b>	<b>330</b>	<b>436</b>	<b>83</b>	<b>100</b>	<b>83</b>	<b>100</b>
Less: Due within one year			(161)	(180)			(17)	(17)
<b>Due after one year</b>			<b>169</b>	<b>256</b>			<b>66</b>	<b>83</b>

The average remaining lease terms for the Group and the Company are 2 to 4 years and 3 years (2015 : 3 to 5 years and 4 years) respectively. For the year ended December 31, 2016, the average effective borrowing rates for both the Group and the Company were 4.2% to 5.2% (2015 : 4.2% to 5.2%) per annum. Interest rates are fixed at the contract date, and thus expose the Group and Company to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The fair values of the Group's and Company's lease obligations approximate their carrying amounts.

# Notes to Financial Statements

December 31, 2016

## 23 MEDIUM TERM NOTES

	Group and Company	
	2016	2015
	\$'000	\$'000
At beginning of the year	319,926	98,228
Issued during the year, net of issuance cost	–	222,048
Redemption upon maturity / early redemption	(99,000)	(1,010)
Amortisation of issuance cost charge to profit or loss (Note 31)	2,523	660
At end of the year	<u>223,449</u>	<u>319,926</u>

### Presentation on Statements of Financial Position:

	Group	
	2016	2015
	\$'000	\$'000
Current liabilities	–	97,700
Non-current liabilities	223,449	222,226
Total	<u>223,449</u>	<u>319,926</u>

During the year ended March 31, 2014, the Company established the Medium Term Note programme (the “MTN programme”) with aggregate nominal value of US\$300,000,000, of which \$50,000,000, \$15,000,000 and \$35,000,000 were issued on September 2, 2013, October 7, 2013 and February 4, 2014 from the MTN programme (the “Notes”) under Series 001 and the Notes carried fixed interest of 7.25% per annum with interest payable on March 2 and September 2 of each year. The Notes under these series have matured and were redeemed in full on September 2, 2016.

On April 10, 2015, the Company increased the maximum aggregate nominal value of the Notes from US\$300,000,000 to US\$500,000,000.

On April 29, 2015, the Company issued additional Notes of \$225,000,000 under Series 002 and the Notes carried fixed interest of 4.70% per annum with interest payable on April 29 and October 29 of each year. The Notes will mature on April 29, 2018.

The Notes are unsecured and are listed on the Singapore Exchange Securities Trading Limited. Prior to the maturity of the Notes, the Company may redeem the Notes based on the stipulated redemption price on the occurrence of the early redemption condition stated in the pricing supplement. Early redemption conditions for the Notes are:

- additional tax obligation to the Company due to any change in, or amendment to, the laws or regulation of Singapore;
- on event of default; and
- change in control of the Company.

The Notes contained certain covenants that limited the Group’s abilities to, among other things:

- incur additional indebtedness;
- maintain certain level of earnings ratio;
- maintain certain level of total shareholders’ equity; and
- declare dividends exceeding a certain ratio to the consolidated profit after tax.

Management estimated the fair value of the Notes at December 31, 2016 to be approximately \$227,466,000 (2015 : \$326,025,000). The fair value is based on the bid price extracted from Bloomberg as at December 31, 2016 and management determined the Notes to be under Level 2 fair value hierarchy.

# Notes to Financial Statements

December 31, 2016

## 23 MEDIUM TERM NOTES (cont'd)

The net carrying amount of the Notes was stated net of issue expenses totalling \$3,081,000 (2015 : \$6,499,000). Such expenses will be amortised over the life of the Notes by charging the expenses to profit or loss and increasing the net carrying amount of the Notes with the corresponding amount. As of December 31, 2016, accumulated amortisation amounted to \$1,528,000 (2015 : \$2,131,000).

## 24 SHARE CAPITAL

	Group and Company			
	2016	2015	2016	2015
	Number of ordinary shares ('000)		\$'000	
Issued and paid-up:				
At beginning of the year	1,127,765	963,361	607,973	484,125
Issuance of shares, net of expenses	163	164,404	90	123,848
At end of the year	<u>1,127,928</u>	<u>1,127,765</u>	<u>608,063</u>	<u>607,973</u>

The ordinary shares, which have no par value, carry on vote per share and carry a right to dividends as and when declared by the Company.

During the current financial year, the Company issued 162,500 (2015 : 16,174,500) ordinary shares at \$89,700 (2015 : \$8,797,000) pursuant to the conversion of the Employee Share Option Scheme.

In 2015, the Company issued 30,303,031 ordinary shares at \$47,562,000 pursuant to the issuance of new ordinary shares to CENVIT (Cayman) Company Limited, and 117,926,189 ordinary shares at \$67,489,000 pursuant to the conversion of convertible bonds.

### Share options over ordinary shares granted under the employee share option scheme:

As at December 31, 2016, employees held options over 53,592,500 ordinary shares (of which 4,337,363 are unvested) in aggregate. The number of options and their expiry dates are as follows:

<u>Number of options</u>	<u>Expiring on:</u>
3,000,000	July 20, 2020
33,492,500	February 15, 2023
12,000,000	March 28, 2023
5,100,000	July 25, 2024
<u>53,592,500</u>	

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:

<u>Number of options</u>	<u>Expiring on:</u>
3,000,000	July 20, 2020
33,775,500	February 15, 2023
12,000,000	March 28, 2023
5,100,000	July 25, 2024
<u>53,875,500</u>	

Share options granted under the employee share option scheme carry no rights to dividends and no voting rights. Further details of the employee share option scheme are contained in Note 28 to the financial statements.

# Notes to Financial Statements

December 31, 2016

## 25 Perpetual Capital Securities

On November 27, 2015, the Company issued senior perpetual securities (the "Series 001 Perpetual Securities") with principal amount of US\$175,000,000 bearing distributions at a rate of 5.45% under the US\$750,000,000 Multicurrency Perpetual Securities Issuance Programme ("Programme"). A total of \$242,055,000 (equivalent to US\$171,687,000), net of issuance costs were recognised in equity. The rate is subject to reset every three years and a one-time step-up from and including the first reset date, being November 27, 2018 (the "First Reset Date").

On June 28, 2016, the Company issued senior perpetual securities (the "Series 001 Tranche 002 Securities") with principal amount of US\$180,000,000 bearing distributions at a rate of 5.45% (to be consolidated and forming a single series with the existing US\$175,000,000 5.45% senior perpetual securities issued on November 27, 2015, under the Programme. A total of \$239,195,000 (equivalent to US\$180,152,000), net of issuance costs were recognised in equity. The rate is subject to reset every three years and a one-time step-up from and including the first reset date, being November 27, 2018 (the "First Reset Date").

The Perpetual Capital Securities bears distributions which are payable semi-annually. Subject to the terms and conditions of the Perpetual Capital Securities, the Company may elect to defer making distributions on the Perpetual Capital Securities, and is subject to any limits as to the number of times a distribution can be deferred.

As a result, the Company is considered to have no contractual obligations to repay its principal or to pay any distributions and the Perpetual Capital Securities do not meet the definition for classification as a financial liability under FRS 32 Financial Instruments: Disclosure and Presentation. The whole instrument is presented within equity, and distributions are treated as dividends.

These Perpetual Capital Securities were issued for the Company's general corporate purposes as well as to finance certain water treatment projects.

## 26 GENERAL RESERVE

In accordance with the relevant laws and regulations of PRC, companies in PRC are required to set aside a general reserve fund by way of appropriation from their statutory net profit reported in PRC statutory financial statements at a rate of 10% for each year. Subject to approval from PRC authorities, the fund may be used to offset accumulated losses or increase the registered capital of the subsidiary. The appropriation is required until the statutory reserve reaches 50% of the subsidiary's registered capital. This statutory reserve is not available for dividend distribution to the shareholders.

	Group	
	2016	2015
	\$'000	\$'000
Statutory surplus reserve fund:		
At beginning of year	5,330	4,469
Transfer from retained earnings	2,084	861
At end of year	<u>7,414</u>	<u>5,330</u>

# Notes to Financial Statements

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## 27 OTHER RESERVES

### Currency translation reserve

The currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group and Company's presentation currency.

### Capital reserve

The capital reserve represents the Group's share of fair value adjustment to the net assets of subsidiaries on acquisition of additional equity interest from the minority shareholders.

## 28 SHARE-BASED PAYMENTS

### *Equity-settled share option scheme*

The Company has a share option scheme for all directors and employees of the Group. The scheme is administered by the Remuneration Committee. Options are exercisable at a price that is equivalent to the Market Price; or a price that is set at a discount to the Market Price, provided always that the maximum discount shall not exceed 20% of the Market Price; and the prior approval of Shareholders shall have been obtained in a separate resolution. The vesting period is 1 year for non-discount options and 2 years for discounted options. If the options remain unexercised after a period of 10 years (Executive Directors and Employees) and 5 years (Non-Executive Directors) from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

Details of the share options outstanding during the year are as follows:

	Group and Company			
	2016		2015	
	Number of share options	Weighted average exercise price \$	Number of share options	Weighted average exercise price \$
Outstanding at beginning of year	53,875,500	0.5921	70,950,000	0.5962
Exercised	(162,500)	0.5520	(16,174,500)	0.5445
Forfeited	(120,500)	0.5520	(900,000)	1.1350
Outstanding at end of year	53,592,500	0.5923	53,875,500	0.6028
Exercisable at end of year	49,255,137	0.5754	48,775,500	0.5921

For the year ended December 31, 2016, the weighted average share price at the date of grant for share options granted was \$0.5923 (2015 : \$0.6028). The options outstanding at the end of the year have a weighted average remaining contractual life of 5 years (2015 : 6 years).

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



# Notes to Financial Statements

December 31, 2016

## 28 SHARE-BASED PAYMENTS (cont'd)

### *Equity-settled share option scheme (cont'd)*

The inputs into the valuation model were as at the respective grants dates were as follows:

Grant date: July 20, 2010

Weighted average share price (\$)	0.3209
Weighted average exercise price (\$)	0.3447
Expected volatility (%)	52.87
Expected life (years)	3
Risk free rate (%)	2.72
Expected divided yield (%)	Nil

Grant date: February 15, 2014

Weighted average share price (\$)	0.745
Weighted average exercise price (\$)	0.552
Expected volatility (%)	31.38
Expected life (years)	4
Risk free rate (%)	2.72
Expected divided yield (%)	Nil

Grant date: March 28, 2014

Weighted average share price (\$)	0.715
Weighted average exercise price (\$)	0.584
Expected volatility (%)	40.00
Expected life (years)	4
Risk free rate (%)	1.88
Expected divided yield (%)	0.90

Grant date: July 25, 2014

Weighted average share price (\$)	1.419
Weighted average exercise price (\$)	1.135
Expected volatility (%)	31.38
Expected life (years)	4
Risk free rate (%)	2.72
Expected divided yield (%)	Nil

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 5 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

In December 31, 2016, the estimated fair values of the options granted were \$31,742,838 (2015 : \$32,476,150).

For the financial year ended December 31, 2016, the Group and the Company recognised an expense of \$7,337,000 (2015 : \$6,930,000) related to fair value of the options granted.

# Notes to Financial Statements

December 31, 2016

## 29 REVENUE

	Group	
	January 1, 2016 to December 31, 2016 \$'000	April 1, 2015 to December 31, 2015 \$'000
Revenue from environmental engineering projects	305,738	113,317
Income from waste water treatment	121,238	77,601
Finance income from service concessions	32,779	28,859
Sales of goods	75,285	48,492
Technical services income	9,515	6,492
Total	544,555	274,761

## 30 OTHER INCOME

	Group	
	January 1, 2016 to December 31, 2016 \$'000	April 1, 2015 to December 31, 2015 \$'000
Interest income	3,138	5,276
Foreign exchange gain - net	2,934	3,111
Commission income	118	2,695
Gain from disposal of a subsidiary	873	–
Government grant and VAT refund	10,456	5,170
Others	1,800	3,996
Total	19,319	20,248

## 31 FINANCE COSTS

	Group	
	January 1, 2016 to December 31, 2016 \$'000	April 1, 2015 to December 31, 2015 \$'000
Interest expense from:		
Bank borrowings	19,995	15,528
Convertible bonds	–	554
Finance leases	17	14
Amortisation of medium term notes issue expense (Note 23)	2,523	660
Medium term notes	17,038	12,456
Total	39,573	29,212

# Notes to Financial Statements

December 31, 2016

## 32 PROFIT BEFORE INCOME TAX

This has been arrived at after charging (crediting):

	Group	
	January 1, 2016 to December 31, 2016 \$'000	April 1, 2015 to December 31, 2015 \$'000
Foreign exchange gain, net	(2,934)	(3,111)
Auditors' remuneration:		
Paid to auditors of the Company	295	290
Paid to member firms of the auditors of the Company	745	756
Paid to other auditors	77	91
Non-audit fees:		
Paid to auditors of the Company	100	150
Paid to member firms of the auditors of the Company	63	–
Gain from disposal of subsidiary	(873)	–
Loss from disposal of property, plant and equipment	26	122
Impairment loss on non-current assets held-for-sale	2,494	–
Employee benefits expense	42,343	27,503
Directors' remuneration	2,171	2,242
Directors' fee		
- Prior year	60	–
- Current year	258	180
Cost of defined contribution retirement plans	5,222	4,098
Total employee benefits expenses	50,054	34,023
Depreciation of property, plant and equipment	10,137	7,859
Amortisation of intangible assets	10,851	7,412
Amortisation of prepaid leases	1,194	691
Total depreciation and amortisation expenses	22,182	15,962

## 33 INCOME TAX EXPENSE

	Group	
	January 1, 2016 to December 31, 2016 \$'000	April 1, 2015 to December 31, 2015 \$'000
Current tax	24,981	13,035
(Over) Underprovision in prior years	(1,211)	134
Deferred tax (Note 18)	5,156	5,304
Withholding tax	475	388
Income tax expense	29,401	18,861

# Notes to Financial Statements

December 31, 2016

## 33 INCOME TAX EXPENSE (cont'd)

- (a) Except as disclosed below, the PRC entities are taxed at the statutory tax rate of 25% and Hong Kong entities are taxed at the statutory rate of 16.5%;
- (i) CITIC Envirotech (Guangzhou) Co. Ltd, Novo Envirotech (Tianjin) Co. Ltd and Memstar (Mianyang) Co. Ltd - The entities, being high-tech enterprises, enjoy a 15% tax incentive with renewal annually.
- (ii) United Envirotech Water (Changyi) Co. Ltd and United Envirotech Water Resource (Gaoyang) Co. Ltd are granted to claim tax exemption from the PRC income tax for the first three years commencing its first profit-making year of operations, after offsetting all tax losses carried forward from the previous years, and thereafter, entitled to claim 50% relief from PRC income tax for the next three years.
- (iii) CITIC Envirotech Water (Siyang) Co. Ltd are granted to claim tax exemption from the PRC income tax for the first five years commencing its first profit-making year of operations, after offsetting all tax losses carried forward from the previous years, and thereafter, entitled to claim 50% relief from PRC income tax for the next five years.
- (b) The income tax expense varied from the amount of income tax expense determined by applying the Singapore domestic income tax rate of 17% (2015 : 17%) to profit before income tax as a result of the following differences:

	Group	
	January 1, 2016 to December 31, 2016 \$'000	April 1, 2015 to December 31, 2015 \$'000
Profit before income tax	131,357	61,471
Tax expense at the Singapore domestic income tax rate of 17%	22,331	10,450
Tax effect of expense that are not deductible in determining taxable profits	6,794	2,783
Deferred tax benefit not recognised	2,862	3,655
Effect of different tax rates of subsidiaries operating in other jurisdictions	9,365	1,423
Tax exempt income	(10,614)	(1,021)
(Over) Underprovision in prior years	(1,211)	134
Withholding tax	475	388
Others	(601)	1,049
Total	29,401	18,861

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

	Group	
	2016 \$'000	2015 \$'000
Amount at beginning of year	49,582	30,867
Amount arising	12,964	18,715
Amount at end of year	62,546	49,582
Deferred tax benefit on above unrecorded	13,136	10,274

No deferred tax asset on the tax losses carryforwards has been recognised due to the unpredictability of future profits streams of the loss-making entities.

The above deferred tax benefits unrecorded are subject to agreement with the Comptroller of Income Tax and the tax authorities, as well as conditions imposed by law. The tax losses carryforwards from PRC entities will expire after 5 years from the date of tax losses incurred. Included in unrecognised tax losses are losses of \$2.526 million, \$1.683 million, \$4.058 million, \$6.318 million and \$10.596 million that will expire over the period from 2017 to 2021 correspondingly (2015 : \$0.863 million, \$2.659 million, \$1.771 million, \$4.272 million and \$6.650 million that will expire over the period from 2016 to 2020).

# Notes to Financial Statements

December 31, 2016

## 34 BASIC AND DILUTED EARNINGS PER SHARE

	Group	
	January 1, 2016 to December 31, 2016 \$'000	April 1, 2015 to December 31, 2015 \$'000
<u>Earnings (\$'000)</u>		
Profit attributable to owners of the Company	99,312	40,762
Effect of dilutive potential ordinary shares:		
Dividends on perpetual capital securities	(22,754)	(1,113)
Earnings for the purposes of diluted earnings per share	<u>76,558</u>	<u>39,649</u>
<u>Number of shares ('000)</u>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,127,844	1,115,504
Effect of dilutive potential ordinary shares from share options	53,593	53,876
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,181,437</u>	<u>1,169,380</u>
<u>Earnings per share (cents)</u>		
- Basic	6.79	3.55
- Diluted	<u>6.48</u>	<u>3.39</u>

## 35 DIVIDENDS

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

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

During the financial year ended December 31, 2015, a tax exempt (1-tier) dividend of \$0.005 per ordinary shares totalling to \$4,816,000 on 963,361,000 shares were paid to shareholders in respect of the financial year ended March 31, 2015. In addition, tax exempt (1-tier) dividend of \$0.005 per ordinary shares totalling to \$817,000 on the 164,404,000 additional shares issued during the prior year were declared and paid during the prior financial year.

Tax exempt (1-tier) dividend of \$1,113,000 on the perpetual capital securities was declared in 2015 in respect of the financial year ended December 31, 2015, and was paid during the financial year.

Subsequent to the year end, the directors of the Company propose a tax exempt (1-tier) dividend of \$0.010 per ordinary share totalling \$22,518,000 on 2,251,797,476 shares (based on the post-split share) for the financial year ended December 31, 2016. This is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in the financial statements.

# Notes to Financial Statements

December 31, 2016

## 36 OPERATING LEASE ARRANGEMENTS

	Group	
	January 1, 2016 to December 31, 2016 \$'000	April 1, 2015 to December 31, 2015 \$'000
Minimum lease payments under operating leases recognised as an expense in the year	1,070	817

At the end of the reporting period, the Group and Company have outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Future minimum lease payments payable:				
Within one year	920	434	234	167
In the second to fifth year inclusive	1,424	149	477	20
After fifth year	128	–	–	–
Total	2,472	583	711	187

Operating lease payments represent rentals payable by the Group and Company for certain of its office and workshop properties. Leases are negotiated for an average of 2 years (2015: 2 years).

## 37 CONTINGENT LIABILITIES

### Contingent Liabilities for the Company

The Company provided corporate guarantees to its subsidiaries, CITIC Envirotech Water Resource (Hegang) Co Ltd, United Envirotech Water Resource (Gaoyang) Co., Ltd, Weifang Bofa Water Treatment Co Ltd, Novo Envirotech (Guangzhou) Co. Ltd, United Envirotech (Hong Kong) Company Ltd and Memstar Pte Ltd for banking facilities up to \$196,451,000 (2015 : its subsidiaries, CITIC Envirotech Water Resource (Hegang) Co Ltd, CITIC Envirotech Water Resource (Siyang) Co Ltd, United Envirotech (Hong Kong) Company Ltd and Memstar Pte Ltd for banking facilities up to \$106,914,000).

Management has considered and evaluated the fair value of the above financial guarantee contracts to be insignificant as at December 31, 2016 and 2015.

## 38 SEGMENT INFORMATION

The Group determines its operating segments based on internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

The Group is organised into business units based on their products and services, based on which information is prepared and reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of performance.

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 2 to the financial statements. Segment results represent the profits earned by each segment without allocation of central administration costs, directors' remuneration, share of results of associates, interest income, foreign exchange gains and losses and finance costs at corporate level.

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

# Notes to Financial Statements

December 31, 2016

## 38 SEGMENT INFORMATION (cont'd)

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

	January 1, 2016 to December 31, 2016					April 1, 2015 to December 31, 2015				
	Engineering \$'000	Treatment \$'000	Membrane \$'000	Elimination \$'000	Total \$'000	Engineering \$'000	Treatment \$'000	Membrane \$'000	Elimination \$'000	Total \$'000
<b>Revenue</b>										
External sales	318,719	165,791	60,045	–	544,555	114,595	106,460	53,706	–	274,761
Inter-segment sales	8,428	–	15,240	(23,668)	–	5,214	–	15,188	(20,402)	–
<b>Total</b>	<b>327,147</b>	<b>165,791</b>	<b>75,285</b>	<b>(23,668)</b>	<b>544,555</b>	<b>119,809</b>	<b>106,460</b>	<b>68,894</b>	<b>(20,402)</b>	<b>274,761</b>

### Results

Segment result	73,213	65,244	26,316	–	164,773	4,944	46,392	33,729	–	85,065
Finance costs					(39,573)					(29,212)
Unallocated corporate expenses					(3,039)					(2,766)
Gain on disposal of subsidiary					873					–
Loss on disposal of property, plant and equipment					(26)					–
Loss on disposal of service concession					(2,043)					–
Impairment loss on assets held for sale					(2,494)					–
Foreign currency exchange gain					2,934					3,111
Share of profit (loss) of associates					6,814					(3)
Interest income					3,138					5,276
Profit before income tax					131,357					61,471
Income tax					(29,401)					(18,861)
<b>Profit for the year</b>					<b>101,956</b>					<b>42,610</b>

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

	January 1, 2016 to December 31, 2016				April 1, 2015 to December 31, 2015			
	Engineering \$'000	Treatment \$'000	Membrane \$'000	Total \$'000	Engineering \$'000	Treatment \$'000	Membrane \$'000	Total \$'000
Segment assets	509,086	1,422,150	399,751	2,330,987	275,718	1,119,249	415,693	1,810,660
Unallocated corporate assets				219,054				362,226
<b>Consolidated total assets</b>				<b>2,550,041</b>				<b>2,172,886</b>
Segment liabilities	386,584	371,979	33,790	792,353	288,092	268,435	47,372	603,899
Unallocated corporate liabilities				262,170				428,231
<b>Consolidated total liabilities</b>				<b>1,054,523</b>				<b>1,032,130</b>



# Notes to Financial Statements

December 31, 2016

## 38 SEGMENT INFORMATION (cont'd)

Unallocated corporate assets mainly represent Group's cash and bank balances and other financial assets at corporate level.

Unallocated corporate liabilities represent Group's finance leases, bank loans, deferred tax liabilities and medium term notes at corporate level.

### Other information

	January 1, 2016 to December 31, 2016				April 1, 2015 to December 31, 2015			
	Engineering \$'000	Treatment \$'000	Membrane \$'000	Total \$'000	Engineering \$'000	Treatment \$'000	Membrane \$'000	Total \$'000
Additions to non-current assets	308	485,499	2,737	488,544	132	386,330	23,328	409,790
Depreciation and amortisation	381	14,008	7,793	22,182	231	9,233	6,498	15,962

### Geographical segment

The geographical locations of the customers of the Group principally comprise the People's Republic of China ("PRC"), United States of America ("USA") and Malaysia.

The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below:

	Revenue from external customers		Non-current assets	
	January 1, 2016 to December 31, 2016	April 1, 2015 to December 31, 2015	2016	2015
PRC	521,715	264,008	1,568,610	1,168,870
Singapore	–	–	28,292	29,676
Malaysia	19,507	8,193	1,545	1,600
USA	3,333	2,560	–	–
Total	544,555	274,761	1,598,447	1,200,146

Non-current assets information presented above mainly consist of non-current trade and other receivables, prepaid leases, property, plant and equipment, service concession receivables, associates, intangible assets, club memberships, goodwill and deferred tax assets.

### Information about major customers

There is no revenue from major customers which accounts for 10% of more of the Group's revenue.

## 39 ACQUISITION OF SUBSIDIARIES

The Group acquired the following subsidiaries and accounted for the acquisition using the acquisition method of accounting:

### For the financial year ended December 31, 2016

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

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

# Notes to Financial Statements

December 31, 2016

## 39 ACQUISITION OF SUBSIDIARIES (cont'd)

### For the financial year ended December 31, 2016 (cont'd)

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

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

Details of the fair value of consideration transferred, assets acquired and liabilities assumed at the date of acquisitions are as follows:

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

Analysed as:

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

There is no goodwill arising from the acquisition of the above two subsidiaries as these are entities with service concession arrangements and any excess of consideration over the fair value of the net assets arising from the acquisitions have been included in the fair values of the service concession receivables and intangible assets.

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

# Notes to Financial Statements

December 31, 2016

## 39 ACQUISITION OF SUBSIDIARIES (cont'd)

### For the financial period ended December 31, 2015

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

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

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

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

Details of the fair value of consideration transferred, assets acquired and liabilities assumed at the date of acquisitions were as follows:

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

Analysed as:

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

There is no goodwill arising from the acquisition of the above two subsidiaries as these are entities with service concession arrangements and any excess of consideration over the fair value of the net assets arising from the acquisitions have been included in the fair values of the service concession receivables and intangible assets.

# Notes to Financial Statements

December 31, 2016

## 39 ACQUISITION OF SUBSIDIARIES (cont'd)

### For the financial period ended December 31, 2015 (cont'd)

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

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

## 40 DISPOSAL OF SUBSIDIARY

As referred to in Note 12 to the financial statements, on October 24, 2016, the Group completed the disposal of its subsidiary, Heilongjiang Qitaihe Wanxinglong Water Co., Ltd.

Details of the disposal are as follows:

### Carrying amounts of the net assets over which control was lost

	2016 \$'000
	<u>          </u>
<u>Non-current assets</u>	
Property, plant and equipment	210
Service concession receivable	27,756
	<u>27,966</u>
<u>Current assets</u>	
Cash and bank balances	198
Trade receivables	2,308
Other receivables and prepayments	4,088
Inventories	22
	<u>6,616</u>
<u>Current liabilities</u>	
Trade payables	8,915
Other payables	21,176
Income tax payable	1,147
	<u>31,238</u>
Net assets derecognised	<u>3,344</u>
Total cash consideration received	<u>3,548</u>
<b>Gain on disposal</b>	
Cash consideration received	3,548
Net assets derecognised	(3,344)
Non- controlling interest derecognised	695
Others	(26)
Gain on disposal	<u>873</u>
The gain on disposal of the subsidiary is recorded as part of profit for the year in the statement of profit and loss and other comprehensive income.	
<b>Net cash inflow arising on disposal</b>	
Cash consideration received	3,548
Cash and cash equivalents disposed of	(198)
	<u>3,350</u>

# Notes to Financial Statements

December 31, 2016

## 41 COMMITMENTS

	Group	
	2016 \$'000	2015 \$'000
Commitments	378,490	304,000

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

	Group	
	2016 \$'000	2015 \$'000
<u>Investment projects</u>		
Rizhao City, Shandong Province	34,783	–
Shantou Chaonan, Guangdong Province	161,779	–
Changyi County, Shandong Province	15,691	–
Yixing County, Jiangsu Province	121,224	–
Haining City, Zhejiang Province	–	39,500
Gaoyang City, Hebei Province	12,013	43,500
Luntai County, Xinjiang Province	–	66,700
Medan City, Indonesia	33,000	35,000
Liaoyang City, Liaoning Province	–	119,300
Total – Investment projects	378,490	304,000

## 42 COMPARATIVE FIGURES

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

## 43 EVENTS AFTER REPORTING PERIOD

On January 11, 2017, the Group received the full consideration of RMB112,090,000 (\$23,692,000) for the disposal of CITIC Envirotech Water Resource (Hegang) Co., Ltd and the shares were fully transferred on that date.

On March 1, 2017, the directors of the Company proposed a tax exempt (1-tier) dividend of \$0.010 per ordinary share totalling \$22,518,000 on 2,251,797,476 shares (based on the post-split share) for the financial year ended December 31, 2016. This is subject to approval by shareholders at the Annual General Meeting.

# Statistics to Shareholdings

## Shareholding Statistics As At 14 March 2017

Class of Shares	:	Ordinary Shares
Number of Shares	:	2,251,797,476
Voting rights	:	One vote per Share

## Distribution Of Shareholders By Size Of Shareholdings As At 14 March 2017

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	1,170	27.95	43,926	0.00
100 – 1,000	1,181	28.21	407,620	0.02
1,001 – 10,000	1,205	28.79	4,580,288	0.20
10,001 – 1,000,000	602	14.38	46,246,651	2.06
1,000,001 and above	28	0.67	2,200,518,991	97.72
<b>TOTAL</b>	<b>4,186</b>	<b>100.00</b>	<b>2,251,797,476</b>	<b>100.00</b>

## Free Float

Based on the information available to the Company, as at 14 March 2017, approximately 12.05% 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 14 March 2017

Name of Shareholder	No. of Shares	% of Shares
1 CLSA SINGAPORE PTE LTD	1,775,735,294	78.86
2 P&L CAPITAL LIMITED	114,124,510	5.07
3 GREEN RESOURCES LIMITED	85,681,334	3.81
4 CITIBANK NOMINEES SINGAPORE PTE LTD	43,967,929	1.95
5 GE HAILIN	26,922,656	1.20
6 DBS NOMINEES PTE LTD	24,959,358	1.11
7 RAFFLES NOMINEES (PTE) LTD	21,794,611	0.97
8 OCBC SECURITIES PRIVATE LTD	15,960,200	0.71
9 MAYBANK KIM ENG SECURITIES PTE LTD	15,666,584	0.70
10 HSBC (SINGAPORE) NOMINEES PTE LTD	13,302,400	0.59
11 LI LI	10,119,000	0.45
12 KGI SECURITIES (SINGAPORE) PTE LTD	8,985,800	0.40
13 UOB KAY HIAN PTE LTD	5,461,950	0.24
14 CIMB SECURITIES (SINGAPORE) PTE LTD	5,247,149	0.23
15 DBSN SERVICES PTE LTD	4,276,600	0.19
16 LIAO JIANQIN	4,140,000	0.18
17 TAN HUCHUAN	4,137,800	0.18
18 PHILLIP SECURITIES PTE LTD	3,332,058	0.15
19 DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	3,039,500	0.13
20 LIEN CHENG	2,539,400	0.11
Total:	2,189,394,133	97.23

## Note:

The percentage is based on 2,251,797,476 shares as at 14 March 2017.

# Statistics to Shareholdings

## Substantial Shareholders As At 14 March 2017

Name	Number of Shares	Direct Interest (%) <sup>(1)</sup>	Number of Shares	Deemed Interest (%) <sup>(1)</sup>
CRF Envirotech Co., Ltd.	538,048,010	23.89	–	–
CRF Envirotech Fund L.P. <sup>(2)</sup>	–	–	538,048,010	23.89
China Reform Soochow Overseas Fund I L.P. <sup>(3)</sup>	–	–	538,048,010	23.89
CRF Envirotech GP Ltd. <sup>(4)</sup>	–	–	538,048,010	23.89
China Reform Puissance Overseas GP L.P. <sup>(5)</sup>	–	–	538,048,010	23.89
China Reform Puissance Overseas Holdings Limited <sup>(6)</sup>	–	–	538,048,010	23.89
China Reform Overseas Feeder GP Ltd. <sup>(7)</sup>	–	–	538,048,010	23.89
China Reform Overseas Cayman Company Limited <sup>(8)</sup>	–	–	538,048,010	23.89
China Reform Fund Management Co., Ltd. <sup>(9)</sup>	–	–	538,048,010	23.89
Golden Bridge Capital Holdings Limited <sup>(10)</sup>	–	–	538,048,010	23.89
Soochow International Capital Limited <sup>(11)</sup>	–	–	538,048,010	23.89
Soochow Securities (Hong Kong) Financial Holdings Limited <sup>(12)</sup>	–	–	538,048,010	23.89
Soochow Securities Co., Ltd <sup>(13)</sup>	–	–	538,048,010	23.89
Bi Jingshuang <sup>(14)</sup>	–	–	538,048,010	23.89
CKM (Cayman) Company Limited <sup>(15)</sup>	–	–	1,437,493,128	63.84
CITIC Environment (International) Company Limited <sup>(16)</sup>	–	–	1,437,493,128	63.84
CITIC Environment Investment Group Co., Ltd. <sup>(17)</sup>	–	–	1,437,493,128	63.84
CITIC Corporation Limited <sup>(17)</sup>	–	–	1,437,493,128	63.84
CITIC Limited <sup>(17)</sup>	–	–	1,437,493,128	63.84
CITIC Group Corporation <sup>(17)</sup>	–	–	1,437,493,128	63.84
CENVIT (Cayman) Company Limited	1,237,687,284	54.96	–	–
P&L Capital Limited	114,124,510	5.07	–	–

### Notes:

- <sup>(1)</sup> There are 2,251,797,476 issued Shares as at 14 March 2017.
- <sup>(2)</sup> CRF Envirotech Fund L.P. is deemed interested in the Shares held by CRF Envirotech Co., Ltd. through its holding of two-thirds of the voting power in CRF Envirotech Co., Ltd.
- <sup>(3)</sup> China Reform Soochow Overseas Fund I L.P. is deemed interested in the Shares held by CRF Envirotech Co., Ltd. through its holding of one-third of the voting power in CRF Envirotech Co., Ltd.
- <sup>(4)</sup> CRF Envirotech GP Ltd. is deemed interested in the Shares held by CRF Envirotech Co., Ltd. as it is the general partner of CRF Envirotech Fund L.P.
- <sup>(5)</sup> China Reform Puissance Overseas GP L.P. is deemed interested in the Shares held by CRF Envirotech Co., Ltd. as it is the general partner of China Reform Soochow Overseas Fund I L.P. and the parent company of CRF Envirotech GP Ltd.
- <sup>(6)</sup> China Reform Puissance Overseas Holdings Limited is deemed interested in the Shares held by CRF Envirotech Co., Ltd. as it is the general partner of China Reform Puissance Overseas GP L.P.
- <sup>(7)</sup> China Reform Overseas Feeder GP Ltd. is deemed interested in the Shares held by CRF Envirotech Co., Ltd. through its holding of thirty-two percent of the voting power in China Reform Puissance Overseas Holdings Limited.
- <sup>(8)</sup> China Reform Overseas Cayman Company Limited is deemed interested in the Shares held by CRF Envirotech Co., Ltd. through its shareholding interest in China Reform Overseas Feeder GP Ltd.
- <sup>(9)</sup> China Reform Fund Management Co., Ltd. is deemed interested in the Shares held by CRF Envirotech Co., Ltd. through its shareholding interest in China Reform Overseas Cayman Company Limited.
- <sup>(10)</sup> Golden Bridge Capital Holdings Limited is deemed interested in the Shares held by CRF Envirotech Co., Ltd. through its holding of thirty percent of the voting power in China Reform Puissance Overseas Holdings Limited.
- <sup>(11)</sup> Soochow International Capital Limited is deemed interested in the Shares held by CRF Envirotech Co., Ltd. through its holding of thirty percent of the voting power in China Reform Puissance Overseas Holdings Limited.
- <sup>(12)</sup> Soochow Securities (Hong Kong) Financial Holdings Limited is deemed interested in the Shares held by CRF Envirotech Co., Ltd. through its shareholding interest in Soochow International Capital Limited.
- <sup>(13)</sup> Soochow Securities Co., Ltd. is deemed interested in the Shares held by CRF Envirotech Co., Ltd. through its shareholding interest in Soochow Securities (Hong Kong) Financial Holdings Limited.
- <sup>(14)</sup> Bi Jingshuang is deemed interested in the Shares held by CRF Envirotech Co., Ltd. through his shareholding interest in Golden Bridge Capital Holdings Limited.
- <sup>(15)</sup> CKM (Cayman) Company is deemed interested in the Shares held by its subsidiaries, CENVIT (Cayman) Company Limited, P&L Capital Limited and Green Resources Limited.
- <sup>(16)</sup> CITIC Environment (International) Company Limited is deemed interested in the Shares held by CKM (Cayman) Company Limited through its controlling interest in CKM (Cayman) Company Limited.
- <sup>(17)</sup> These companies are deemed interested in the Shares held by CITIC Environment (International) Company Limited through their direct and indirect shareholding interest in CITIC Environment (International) Company Limited.



# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Connection 2, Level 3, Amara Hotel, 165 Tanjong Pagar Road, Singapore 088539, on 27 April 2017 at 2.00 p.m., to transact the following businesses:-

## AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the year ended 31 December 2016 and the Directors' Report and the Auditors Report thereon. **(Resolution 1)**
2. To declare a Final tax-exempt (one-tier) Dividend of 0.75 Singapore cents per ordinary share for the financial year ended 31 December 2016. **(Resolution 2)**
3. To declare a Special tax-exempt (one-tier) Dividend of 0.25 Singapore cents per ordinary share for the financial year ended 31 December 2016. **(Resolution 3)**
4. To re-elect Mr. Zhang Yong, a director retiring pursuant to Article 91 of the Company's Constitution and who, being eligible, will offer himself for re-election. **(Resolution 4)**
5. To re-elect Mr. Wang Song, a director retiring pursuant to Article 91 of the Company's Constitution and who, being eligible, will offer himself for re-election. **(Resolution 5)**
6. To re-elect Mr. Lee Suan Hiang, a director retiring pursuant to Article 91 of the Company's Constitution and who, being eligible, will offer himself for re-election. **(Resolution 6)**  
  
Mr. Lee Suan Hiang, if re-appointed will remain as an Independent Director as well as the Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee; and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.
7. To re-elect Mr. Bi Jingshuang, a director retiring pursuant to Article 97 of the Company's Constitution and who, being eligible, will offer himself for re-election. **(Resolution 7)**
8. To approve the payment of Directors' fee of S\$360,000 for the financial year ending 31 December 2017. **(Resolution 8)**
9. To re-appoint Messrs Deloitte & Touche LLP as auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 9)**

## AS SPECIAL BUSINESS

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

10. **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

# Notice of Annual General Meeting

- (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 10)**

*(See Explanatory Note)*

11. 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 Final and the Special Dividend (the "Proposed Final and Special Dividends") being obtained at the Annual General Meeting (the "AGM") to be held on 27 April 2017, the Share Transfer Books and the Register of Members of the Company will be closed on 10 May 2017 for the purpose of determining Members' entitlements to the Proposed Final and Special Dividends.

Duly completed registrable transfers in respect of shares in the Company received up to the close of business at 5.00 p.m. on 9 May 2017 by the Company's Share Registrar, Tricor Barbinder Share Registration Services, 80 Robinson Road, #02-00, Singapore 068898 will be entitled to the Final and Special Dividends.

Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares of the Company as at 5.00 p.m. on 9 May 2017 will be entitled to the Proposed Final and Special Dividends.

The Proposed Final and Special Dividends, if approved at the AGM, will be paid on 19 May 2017.

BY ORDER OF THE BOARD

Lotus Isabella Lim Mei Hua  
Company Secretary

Singapore, 11 April 2017

### EXPLANATORY NOTE

The ordinary resolution in item no. 10 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.

# Notice of Annual General 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 2, Level 3, Amara Hotel, 165 Tanjong Pagar Road, Singapore 088539 on 27 April 2017 at 2.00 p.m. and at any adjournment thereof.

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

No.	Ordinary Resolutions	For	Against
1.	To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2016 and the Reports of Directors and Auditors thereon.		
2.	To approve a Final tax-exempt (one-tier) Dividend of 0.75 Singapore cents per ordinary share for the year ended 31 December 2016		
3.	To approve a Special tax-exempt (one-tier) Dividend of 0.25 Singapore cents per ordinary share for the year ended 31 December 2016		
4.	To re-elect Mr. Zhang Yong pursuant to Article 91 of the Company's Constitution.		
5.	To re-elect Mr. Wang Song pursuant to Article 91 of the Company's Constitution.		
6.	To re-elect Mr. Lee Suan Hiang pursuant to Article 91 of the Company's Constitution.		
7.	To re-elect Mr. Bi Jingshuang pursuant to Article 97 of the Company's Constitution.		
8.	To approve the payment of Directors' fees of S\$360,000 for the financial year ending 31 December 2017.		
9.	To re-appoint Messrs Deloitte & Touche LLP as auditors of the Company and to authorise the Directors to fix their remuneration.		
10.	To authorise Directors to issue shares pursuant to Section 161 of the Companies Act, Cap. 50.		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2017

Total Number of Shares Held

\_\_\_\_\_  
Signature(s) of Member(s)/Common Seal

\* Delete accordingly

**IMPORTANT.** Please read notes overleaf



Notes:-

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of his shareholding concerned to be represented by each proxy shall be specified in the form of proxy. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire shareholding and any second named proxy as an alternate to the first named or at the Company's option to treat this Proxy Form as invalid.  
(b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.  
"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.
2. A proxy need not be a member of the Company.
3. Where a member of the Company appoints two proxies, he shall specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each such proxy.
4. The instrument appointing a proxy or proxies must be under the hand of the appointer or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.
5. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50 of Singapore.
6. The instrument appointing proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the registered office of the Company at 80 Robinson Road #11-02, Singapore 068898 not later than 48 hours before the time set for the Annual General Meeting.
7. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert the number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.
8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 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 11 April 2017.

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

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