SOUND GLOBAL LTD.
桑德國際有限公司*

(Incorporated in the Republic of Singapore with limited liability)
(Singapore Company Registration Number 200515422C)
(Hong Kong Stock Code: 00967)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

AND

CONTINUED SUSPENSION OF TRADING

The board of directors (the "Board") of Sound Global Ltd. (the "Company") hereby announces the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2019 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Revenue	7	**3,378,746**	4,810,076
Cost of sales		(**1,926,656**)	(2,993,939)
Gross profit		**1,452,090**	1,816,137
Other income	8	**67,977**	86,877
Other gains and losses, net	9	(**2,639,038**)	(1,205,073)
Distribution and selling expenses		(**43,841**)	(81,620)
Research and development expenses		(**33,806**)	(41,664)
Administrative expenses		(**185,159**)	(846,229)
Finance costs	10	(**379,158**)	(493,938)
Loss before income tax		(**1,760,935**)	(765,510)
Income tax expenses	11	(**169,293**)	(202,576)
Loss for the year	12	(**1,930,228**)	(968,086)
Other comprehensive loss			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of financial statements of foreign operations		(**1,215**)	(5,147)
Total comprehensive loss for the year, net of tax		(**1,931,443**)	(973,233)
Loss for the year attributable to:			
Owners of the Company		(**1,953,237**)	(1,001,549)
Non-controlling interests		**23,009**	33,463
		(**1,930,228**)	(968,086)
Total comprehensive loss for the year attributable to:			
Owners of the Company		(**1,954,452**)	(1,006,696)
Non-controlling interests		**23,009**	33,463
		(**1,931,443**)	(973,233)
Loss per share (in RMB cents)			
Basic and diluted	16	(**129.68**)	(66.49)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	**278,697**	266,929
Intangible assets	18	**742,255**	780,094
Land use rights	19	**-**	36,191
Goodwill	20	**-**	-
Interests in associates	21	**-**	-
Service concession receivables	22	**10,744,943**	10,094,889
Deferred tax assets	23	**-**	8,869
Restricted bank balances	28	**-**	25,998
Financial assets at fair value through profit or loss	26	**2,519**	-
		11,768,414	11,212,970
CURRENT ASSETS			
Inventories	24	**573,706**	449,858
Trade and other receivables	25	**6,288,654**	7,935,583
Land use rights	19	**-**	1,157
Amounts due from customers for contract work	27	**2,192,403**	2,056,798
Restricted bank balances	28	**28,450**	190,160
Bank balances and cash	28	**387,070**	503,337
		9,470,283	11,136,893
CURRENT LIABILITIES			
Trade and other payables	29	**7,766,036**	5,709,796
Tax payables		**130,365**	108,934
Borrowings	30	**2,899,365**	5,399,265
Lease liabilities/obligations under finance lease	31	**332,909**	409,856
Amounts due to customers for contract work	27	**69,651**	187
		11,198,326	11,628,038
NET CURRENT LIABILITIES		**(1,728,043)**	(491,145)
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,040,371**	10,721,825

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Notes	2019	2018
		RMB'000	RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	23	**536,565**	517,445
Borrowings	30	**5,960,351**	4,446,864
Lease liabilities/obligations under finance lease	31	**644,714**	926,136
		7,141,630	5,890,445
TOTAL ASSETS LESS TOTAL LIABILITIES		**2,898,741**	4,831,380
CAPITAL AND RESERVES			
Issued capital	33	**1,720,304**	1,720,304
Reserves		**697,830**	2,652,282
Equity attributable to owners of the Company		**2,418,134**	4,372,586
Non-controlling interests		**480,607**	458,794
		2,898,741	4,831,380

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company								
	Issued capital RMB'000	Merger reserve RMB'000 (note i)	Capital reserve RMB'000 (note ii)	Translation reserve RMB'000	Statutory surplus reserve RMB'000 (note iii)	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
As at 1 January 2018	1,720,304	(198,082)	4,562	(13,340)	308,537	3,561,712	5,383,693	265,136	5,648,829
Loss for the year	-	-	-	-	-	(1,001,549)	(1,001,549)	33,463	(968,086)
Other comprehensive loss	-	-	-	(5,147)	-	-	(5,147)	-	(5,147)
Total comprehensive loss	-	-	-	(5,147)	-	(1,001,549)	(1,006,696)	33,463	(973,233)
Transfer to reserve fund	-	-	-	-	8,794	(8,794)	-	-	-
Dividend paid to a non-controlling interest (Note 35(d))	-	-	-	-	-	-	-	(925)	(925)
Disposal of a subsidiary (Note 34(d)(i))	-	-	-	-	-	-	-	(43,837)	(43,837)
Changes in ownership interest in subsidiaries without loss of control (Note 35(f))	-	-	-	-	-	(4,411)	(4,411)	30,411	26,000
Capital contributions from non-controlling interests (Note 35(c))	-	-	-	-	-	-	-	174,546	174,546
As at 31 December 2018	1,720,304	(198,082)	4,562	(18,487)	317,331	2,546,958	4,372,586	458,794	4,831,380
Loss for the year	-	-	-	-	-	(1,953,237)	(1,953,237)	23,009	(1,930,228)
Other comprehensive loss	-	-	-	(1,215)	-	-	(1,215)	-	(1,215)
Total comprehensive loss	-	-	-	(1,215)	-	(1,953,237)	(1,954,452)	23,009	(1,931,443)
Transfer to reserve fund	-	-	-	-	8,250	(8,250)	-	-	-
Disposal of subsidiaries (Note 34(c))	-	109,786	1,592	-	(3,661)	(107,717)	-	(53,348)	(53,348)
Dividend paid to non-controlling interests (Note 35(b))	-	-	-	-	-	-	-	(5,074)	(5,074)
Capital contributions from non-controlling interests (Note 35(a))	-	-	-	-	-	-	-	57,226	57,226
As at 31 December 2019	**1,720,304**	**(88,296)**	**6,154**	**(19,702)**	**321,920**	**477,754**	**2,418,134**	**480,607**	**2,898,741**

notes:

(i) The merger reserve arose, (a) pursuant to the reorganisation in 2006, from the use of the whole proceeds of the interest-free loan granted by the Company's immediate holding company, Sound Water (BVI) Limited ("**Sound Water**"), a company incorporated in the British Virgin Islands (the "**BVI**"), to finance the acquisition of a subsidiary, Beijing Sound Environmental Engineering Co., Ltd (北京桑德環境工程有限公司) ("**Beijing Sound**"), which the amount was calculated as the difference between the loan amount of US$18.8 million (equivalent to RMB150,896,000) and the issued capital of the subsidiary acquired of RMB62,600,000; and (b) pursuant to the acquisition of Tongliao City Sound Water Co., Ltd (通遼市桑德水務有限公司) ("**Tongliao Sound**") in 2014, from the difference between the consideration in relation to the acquisition of 97.8% interest in Tongliao Sound from Sound Group Limited ("**Sound Group**"), a fellow subsidiary of the Company, of approximately RMB192,427,000 and the issued capital and capital reserve of Tongliao Sound of RMB82,641,000. During the year ended 31 December 2019, the Group disposed the entire equity interest in Tongliao Sound.

(ii) The balance reflects (a) the fair value of the 2,157,000 shares of the Company transferred to an initial public offering consultant at a nominal value of S$1.00 during the listing on the Singapore Exchange Securities Trading Limited (the "**SGX**") in 2006; (b) the difference between the consideration of RMB18,000,000 in relation to the acquisition of 40% interest in Anyang Zongcun Sound Water Co., Ltd (安陽宗村桑德水務有限公司) ("**Anyang Zongcun Sound**"), a subsidiary, by the Group, from a non-controlling interest and the carrying amount of the non-controlling interest; (c) the difference between the consideration of RMB9,573,000 in relation to the acquisition of 20% interest in Yantai Bihai Water Co., Ltd (煙台碧海水務有限公司) ("**Yantai Bihai**"), a subsidiary, by the Group and the carrying amount on the non-controlling interest; and (d) the difference between the consideration of approximately RMB4,329,000 in relation to the acquisition of 2.2% interest in Tongliao Sound, a subsidiary, by the Group and the carrying amount on the non-controlling interest of approximately RMB1,753,000. During the year ended 31 December 2019, the Group disposed the entire equity interest in Anyang Zongcun Sound and Tongliao Sound.

(iii) In accordance with the Articles of Association of certain subsidiaries established in the People's Republic of China (the "**PRC**"), those subsidiaries are required to transfer 10% of the profit after taxation to the statutory surplus reserve until the reserve reaches 50% of the registered capital. Transfer to this reserve must be made before distributing dividends to equity owners. The statutory surplus reserve can be used to make up for previous year's losses, expand the existing operations or convert into additional capital of the subsidiaries.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
OPERATING ACTIVITIES			
Loss before income tax		**(1,760,935)**	(765,510)
Adjustments for:			
Depreciation of property, plant and equipment		**13,520**	17,549
Amortisation of intangible assets		**39,546**	21,665
Amortisation of land use right		**-**	1,157
Imputed interest income on service concession receivables		**(421,241)**	(481,273)
Interest income		**(34,483)**	(29,313)
Finance costs		**379,158**	493,938
Allowance for expected credit loss on service concession receivables		**466,279**	1,108,193
Allowance for expected credit loss on trade receivables		**896,507**	4,780
Allowance for expected credit loss on other receivables		**1,115,252**	9,316
Allowance for expected credit loss recognised/(reversed) on amounts due from customers for contract work		**86,281**	(1,012)
Fair value change of financial assets at fair value through profit or loss		**-**	(122)
Gain on bargain purchase of subsidiaries		**(2,621)**	-
(Gain)/loss on disposal of subsidiaries		**(33,604)**	45,627
Loss on deregistration of subsidiaries		**142**	-
Impairment loss recognised in respect of interests in associates		**95,305**	38,750
Gain on disposal of an associate		**(738)**	-
Foreign exchange gain, net		**(1,388)**	(5,147)
Loss on disposal of property, plant and equipment		**268**	315
Operating cash flows before movements in working capital		**837,248**	458,913
Increase in inventories		**(124,318)**	(33,017)
Increase in service concession receivables		**(1,369,948)**	(2,472,146)
Increase in trade and other receivables		**(1,251,195)**	(3,575,373)
(Increase)/decrease in amounts due from customers for contract work		**(221,886)**	261,438
Increase in trade and other payables		**919,807**	1,937,776
Increase/(decrease) in amounts due to customers for contract work		**69,464**	(42,865)
Cash used in operations		**(1,140,828)**	(3,465,274)
Income taxes paid		**(41,567)**	(46,211)
NET CASH USED IN OPERATING ACTIVITIES		**(1,182,395)**	(3,511,485)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019	2018
		RMB'000	RMB'000
INVESTING ACTIVITIES			
Interest received		**34,483**	29,313
Purchases of property, plant and equipment		**(5,904)**	(52,984)
Proceeds from disposal of property, plant and equipment		**11**	438
Addition of intangible assets		**(1,707)**	-
Net cash (outflow)/inflow from acquisitions of subsidiaries	34	**(13,211)**	1,083
Payment of considerations for subsidiaries acquired in prior years		**(13,345)**	-
Net cash inflow/(outflow) from disposal of subsidiaries	34	**396,171**	(1,204)
Capital contributions to associates		**(95,305)**	(38,750)
Net cash inflow from disposal of associates		**738**	-
Purchase of financial assets at fair value through profit or loss		**(1,005)**	(6,000)
Proceeds from disposal of financial assets at fair value through profit or loss		**-**	9,122
Withdrawal from structured deposits		**500,000**	500,000
Purchase of structured deposits		**-**	(500,000)
Placement in restricted bank balances		**(483,049)**	(178,321)
Withdrawal from restricted bank balances		**670,757**	677,245
NET CASH GENERATED FROM INVESTING ACTIVITIES		**988,634**	439,942
FINANCING ACTIVITIES			
Interest paid		**(354,166)**	(315,083)
Disposal of partial ownership interest in subsidiaries		**-**	26,000
Capital contribution from non-controlling interests		**57,226**	174,546
Dividends paid to non-controlling interests		**(5,074)**	(925)
Proceeds from sales and finance lease back arrangements		**174,651**	377,370
Repayments of lease liabilities/obligations under finance lease		**(440,684)**	(166,972)
Borrowings raised		**2,496,265**	4,868,894
Repayments of borrowings		**(3,237,478)**	(2,275,903)
Advances from related parties		**1,386,581**	-
NET CASH GENERATED FROM FINANCING ACTIVITIES		**77,321**	2,687,927
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(116,440)**	(383,616)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**503,337**	886,005
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**173**	948
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR REPRESENTED BY BANK BALANCES AND CASH		**387,070**	503,337

1. GENERAL INFORMATION

Sound Global Ltd. (the "**Company**") (Singapore Registration Number 200515422C) is a limited liability company incorporated in the Republic of Singapore ("**Singapore**") on 7 November 2005 under the Singapore Companies Act and its shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**HKEx**"). The registered office of the Company is at 1 Robinson Road, #17-00 AIA Tower, Singapore 048542. Its principal place of business is at National Environmental Protection Industry Zone, Tongzhou District, Beijing 101102, People's Republic of China.

The Company is an investment holding company. Its subsidiaries (together with the Company, collectively referred to as the "**Group**") are mainly engaged in environmental construction related to water treatment, research and development of water treatment technologies, manufacturing of water treatment equipment, provision of services for technology consultation and construction, management and operation of wastewater projects and water supply.

The consolidated financial statements are presented in Renminbi ("**RMB**"), the currency of the primary economic environment in which the principal subsidiaries of the Company operate. The functional currency of the Company is RMB.

The Company's immediate and ultimate parent company is Sound Water (BVI) Limited of which the beneficial owner is Mr. Wen Yibo ("**Mr. Wen**"), a director of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current year, the Group has applied, for the first time, the following new and amendments to standards (collectively referred to as the "**new and amendments to IFRSs**") issued by International Accounting Standard Board (the "**IASB**"), which are effective for the Group's financial year beginning from 1 January 2019. A summary of the new and amendments to IFRSs adopted by the Group is set out as follows:

IFRS (Amendments)	Annual Improvements to IFRSs 2015-2017 Cycle
IFRS 16	Leases
IAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement
IAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
IFRIC - 23	Uncertainty over Income Tax Treatments

Except as described below, the application of the above new and amendments to IFRSs in the current year has had no material impact on the Group's financial performance and financial positions for the current and prior years and/or disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 "Leases" and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect of initially applying IFRS 16 recognised at the date of initial application, i.e. 1 January 2019.

At 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets in respect of leases previously classified as operating leases. The additional lease liabilities are measured at the present value of the remaining lease payments, discounted using the lessees' incremental borrowing rates at the date of initial application. The right-of-use assets are measured at the amounts equal to the related lease liabilities adjusted by accrued or prepaid lease payments by applying IFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease by-lease basis, to the extent relevant to the respective lease contracts:

(i) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

(ii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

(iii) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination option.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

IFRS 16 Leases (continued)

As a lessee (continued)

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The incremental borrowing rate applied by the relevant group entities was 5%.

As at 1 January 2019, the Group recognised right-of-use assets and lease liabilities for leases previously classified as finance leases at the carrying amounts of the leased assets and lease liabilities immediately before the date of initial application of IFRS 16.

	At 1 January 2019 RMB'000
Lease liabilities relating to operating leases recognised upon application of IFRS 16	706
Obligations under finance leases recognised as at 31 December 2018	1,335,992
Lease liabilities as at 1 January 2019	1,336,698
Analysed as:	
Current	410,186
Non-current	926,512
	1,336,698

The carrying amount of right-of-use assets for own use and those under service concession arrangements at 1 January 2019 comprises the following:

	Notes	Own-use assets RMB'000	Service concession arrangements RMB'000
Right-of-use assets relating to operating leases recognised upon application of IFRS 16		706	-
Reclassified from land use rights	(a)	37,348	-
Amounts included in property, plant and equipment under IAS 16 previously under finance leases	(b)	40,337	-
Amounts included in intangible assets under IFRIC 12 previously under finance leases	(b)	-	210,129
Amounts included in service concession receivables under IFRIC 12 previously under finance leases	(b)	-	2,096,215
		78,391	2,306,344

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

IFRS 16 Leases (continued)

As a lessee (continued)

notes:

(a) Upfront payments for leasehold lands in the PRC for own used properties were classified as land use rights as at 31 December 2018. Upon application of IFRS 16, the land use rights were reclassified to right-of-use assets.

(b) The Group acts as a seller-lessee

In accordance with the transition provisions of IFRS 16, sale and leaseback transactions entered into before the date of initial application were not reassessed.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported as at 31 December 2018	Adjustments	Carrying amounts under IFRS 16 as at 1 January 2019
	RMB'000	RMB'000	RMB'000
Non-current assets			
Property, plant and equipment	266,929	38,054	304,983
Land use rights	36,191	(36,191)	-
Intangible assets	780,094	-	780,094
Service concession receivables	10,938,736	-	10,938,736
Current assets			
Land use rights	1,157	(1,157)	-
Current liabilities			
Obligations under finance lease	409,856	(409,856)	-
Lease liabilities	-	410,186	410,186
Non-current liabilities			
Obligations under finance lease	926,136	(926,136)	-
Lease liabilities	-	926,512	926,512

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRSs (Amendments)	Annual Improvements to IFRSs 2018-2020[5]
IFRS 3 (Amendments)	Definition of a Business[1]
IFRS 3 (Amendments)	Reference to the Conceptual Framework[5]
IFRS 9, IAS 39 and IFRS 7 (Amendments)	Interest Rate Benchmark Reform[1]
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)	Interest Rate Benchmark Reform - Phase 2[3]
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
IFRS 16 (Amendments)	Covid-19 - Related Rent Concessions[2]
IFRS 16 (Amendments)	Covid-19 - Related Rent Concessions beyond 30 June 2021[4]
IFRS 17	Insurance Contracts[6]
IFRS 17 and IFRS 9 (Amendments)	Initial Application of IFRS 17 and IFRS 9 - Comparative Information
IAS 1 (Amendments) and IFRS Practice Statement 2	Disclosure of Accounting Policies[6]
IAS 1 and IAS 8 (Amendments)	Definition of Material[1]
IAS 1 (Amendments)	Classification of Liabilities as Current or Non-current[5]
IAS 8 (Amendments)	Definition of Accounting Estimates[6]
IAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[6]
IAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before Intended Use[5]
IAS 37 (Amendments)	Onerous Contracts - Cost of Fulfilling a Contract[5]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 June 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for annual periods beginning on or after 1 April 2021
5 Effective for annual periods beginning on or after 1 January 2022
6 Effective for annual periods beginning on or after 1 January 2023

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the "Amendments to References to the Conceptual Framework in IFRS Standards", will be effective for annual periods beginning on or after 1 January 2020.

The directors of the Company anticipate that the application of all new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION

(i) On 13 April 2016, the Company announced that, under Rule 8(1) of the Securities and Futures (Stock Market Listing) Rules, the Securities and Futures Commission (the "**Commission**") has directed the HKEx to suspend all dealings in the shares of the Company with effect from 9:00am on 13 April 2016 (the "**2016 Suspension**").

On 2 June 2017, the Company announced that the finance department of the Group discovered on 31 May 2017 that some of the financial documents of the Group were missing and the Group was in the course of verifying the relevant details. On 19 June 2017, the Company further announced that (i) the finance department of the Group reported that on 25 November 2016 an accident occurred when certain financial documents of the Group were being transported to a new file storage facility and as a result certain financial documents of the Group were lost and/or damaged (the "**Accident**"); and (ii) the Group was in the course of verifying the relevant details and ascertaining the scope of loss.

The directors of the Company have determined that the Accident was a fire accident which damaged financial documents of five subsidiaries engaged in (i) research and development of water treatment technologies, provision of water treatment technology consultation services and construction of water treatment plant, which contributed to the operating segment of turnkey projects and services; and (ii) manufacturing water treatment equipment which contributed to the operating segment of equipment fabrications (the "**Relevant PRC Subsidiaries**"). The financial documents which were lost included vouchers with supporting documents, bank statements and related bank reconciliations for the financial years 2010 to 2015 (the "**Damaged Documents**"). As of the date of approval of these consolidated financial statements, the directors of the Company considered that the Group had made its best efforts, to the extent commercially practicable, to reconstruct the accounting records of the Relevant PRC Subsidiaries for the year ended 31 December 2015, applying the best estimate and judgment based on the information of the Group that are available to the directors of the Company. However, given that almost all books and records of the Relevant PRC Subsidiaries were damaged in the Accident and a number of key personnel of the finance department of the Group had left the Group and the Group had lost contact with them, the directors of the Company considered that it is impossible and impractical to ascertain the transactions and balances of the Relevant PRC Subsidiaries included in the consolidated financial statements of the Group.

On 24 July 2017, the Company announced that the reason for trading suspension of the shares of the Company under Rule 8(1) of the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) was that the Commission has found that the bank balances of five bank accounts (the "**Bank Accounts**") of the subsidiaries of the Company as at 31 December 2012 and 2013 were materially overstated by around RMB2.1 billion and RMB2.7 billion respectively (the "**Bank Balances Discrepancies**") and the Company had engaged PKF Business Advisory Limited (the "**Reviewer**") on 19 January 2017 to perform investigation services to the Company in respect of the Bank Balances Discrepancies.

On 1 February 2018, the Company announced that the Reviewer had issued a report of their investigation findings on 8 January 2018. The Reviewer had identified discrepancies between the records shown in the list of bank accounts of the Group which was updated by the finance department after the Accident and the Group's audited consolidated bank balances, as well as discrepancies in the bank balances shown on the list of bank accounts of the Group provided by the Company and the records obtained by the Commission. Based on the information obtained by the Reviewer, the Reviewer identified that the balances of the Bank Accounts shown on the records obtained by the Commission as at 31 December 2012 and 2013 were lower than the corresponding balances shown on the lists of bank accounts of the Group provided by the Company, and the differences were respectively around RMB2.1 billion as at 31 December 2012 and around RMB2.7 billion as at 31 December 2013.

3. BASIS OF PREPARATION (CONTINUED)

(i) (continued)

The Reviewer also stated that it did not receive responses from the relevant banks on confirmation requests for most of the bank balances as at 31 December 2012, 2013 and 2014 and that the extent of work performed by the Reviewer on tracing bank transactions to supporting records was constrained due to unavailability of related financial documents and records as a result of the Accident.

The Reviewer concluded that it was unable to identify the cause or causes for the Bank Balances Discrepancies and particulars of these discrepancies.

On 7 May 2018, the Company announced that it has submitted a proposal to the Commission with a view to address its concerns on the Bank Balances Discrepancies and that the Commission finds that the proposal does not satisfactorily address the Commission's concerns and has replied with comments. The Company is working closely with its professional advisors to address those comments.

The Company further announced on 7 May 2018 that (i) the Commission had not received any submission from the Company or representation which could satisfactorily explain the Bank Balances Discrepancies; (ii) the Company was still seeking professional advice in respect of the said findings and conclusion of the Reviewer with a view to addressing the Commission's concerns on the Bank Balances Discrepancies; and (iii) further announcement will be made by the Company as appropriate and when appropriate.

On 3 August 2018, the Company announced that the Company had submitted a revised proposal to the Commission in late July 2018 in response to its comments on the Company's previous proposals with a view to address its concerns on the Discrepancies. Further announcement will be made by the Company as and when appropriate.

On 5 November 2018, the Company announced that on 1 November 2018, the Company received a reply from the Commission. The Company was seeking legal advice, and would endeavour to respond to the Commission as soon as possible. Further announcement will be made by the Company as and when appropriate.

On 30 November 2018, the Company announced that the Company was discussing with the Commission for the purpose to resolve the Commission's regulatory concerns regarding the Bank Balances Discrepancies and no agreement has been made. Further announcement will be made by the Company as and when appropriate.

The Group had commenced taking steps to further investigate the Bank Balances Discrepancies. As at the date of approval of these consolidated financial statements, these investigation works of the Group are still in progress and no conclusive result was drawn in respect of the findings and conclusion of the Reviewer.

Based on the circumstances as abovementioned and the fact that the Bank Accounts to which the Bank Balances Discrepancies relate were bank accounts of the Relevant PRC Subsidiaries, the directors of the Company were unable to assess the impact of the Bank Balances Discrepancies on the Group's consolidated financial statements, including the impact on the figures presented in these consolidated financial statements in respect of the current and previous financial years and the impact on the figures presented in previously issued consolidated financial statements for prior financial years. As of the date of the approval of these consolidated financial statements, the directors of the Company are still considering steps to be taken in response to the investigation of the Bank Balances Discrepancies.

3. BASIS OF PREPARATION (CONTINUED)

(i) (continued)

During the year ended 31 December 2019, Beijing Epure Environment Engineering Co., Ltd (北京伊普環境工程有限公司) and Beijing Epure Sound Environmental Engineering Technology Co., Ltd (北京伊普桑德環境工程技術有限公司), included in the Relevant PRC Subsidiaries, were deregistered and no gain or loss on deregistration of these subsidiaries was resulted in the consolidated financial statements.

The revenue, income, expenses and cash flows for the years ended 31 December 2019 and 2018 and the assets and liabilities as at those dates of the Relevant PRC Subsidiaries, excluding intra-group transactions and balances, which have been included in the consolidated financial statements of the Group are as follow:

	2019	2018
	RMB'000	RMB'000
Revenue, income and expenses for the years ended 31 December:		
Revenue (note (a))	**2,026,537**	2,948,602
Cost of sales	**(1,436,607)**	(2,178,710)
Gross profit	**589,930**	769,892
Other income	**35,293**	42,108
Other gains and losses, net	**(1,720,951)**	(1,191)
Distribution and selling expenses	**(42,951)**	(79,314)
Research and development expenses	**(33,804)**	(41,467)
Administrative expenses	**(90,294)**	(650,892)
Finance costs	**(248,696)**	(227,987)
Loss before income tax	**(1,511,473)**	(188,851)
Income tax expenses	**(40,949)**	(50,937)
Loss and total comprehensive loss for the year attributable to owners of the Company	**(1,552,422)**	(239,788)

note:

(a) Included in the revenue of the Relevant PRC Subsidiaries for the year ended 31 December 2019 were revenue attributable to operating segment of turnkey projects and services of approximately RMB1,964,220,000, representing 98% of revenue in this segment. Such revenue included approximately RMB392,844,000 related to revenue from service concession arrangements of the Group (2018: (i) operating segment of turnkey projects and services of approximately RMB2,939,972,000, representing 93% of revenue in this segment. Such revenue included approximately RMB586,454,000 related to revenue from service concession arrangements of the Group; and (ii) operating segment of Equipment Fabrications of approximately RMB8,630,000, representing 100% of revenue from external customers in this segment).

3. BASIS OF PREPARATION (CONTINUED)

(i) (continued)

	2019	2018
	RMB'000	RMB'000
Assets and liabilities as at 31 December:		
NON-CURRENT ASSETS		
Property, plant and equipment	**163,460**	130,892
Land use rights	**-**	35,336
Service concession receivables	**3,360,829**	3,030,149
Deferred tax assets	**-**	5,819
Other receivables	**-**	51,800
	3,524,289	3,253,996
CURRENT ASSETS		
Inventories	**512,393**	393,327
Trade and other receivables	**4,473,557**	5,793,326
Land use rights	**-**	1,150
Amounts due from customers for contract work	**483,100**	2,057,798
Restricted bank balances	**27,450**	139,160
Bank balances and cash	**58,680**	122,976
	5,555,180	8,507,737
CURRENT LIABILITIES		
Trade and other payables	**4,548,509**	3,518,471
Tax payables	**74,167**	50,296
Borrowings	**2,221,062**	2,691,000
Amounts due to customers for contract work	**69,651**	187
	6,913,389	6,259,954
NET CURRENT (LIABILITIES)/ASSETS	**(1,358,209)**	2,247,783
TOTAL ASSETS LESS CURRENT LIABILITIES	**2,166,080**	5,501,779
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**4,305**	4,305
Borrowings	**1,224,430**	723,817
	1,228,735	728,122
TOTAL ASSETS LESS TOTAL LIABILITIES	**937,345**	4,773,657

3. BASIS OF PREPARATION (CONTINUED)

(i) (continued)

	2019 RMB'000	2018 RMB'000
Cash flow for the years ended 31 December:		
Net cash generated from/(used in) operating activities	**866,147**	(504,352)
Net cash (used in)/generated from investing activities	**(378,890)**	520,759
Net cash (used in)/generated from financing activities	**(551,553)**	217,635
	(64,296)	234,042

(ii) During the year ended 31 December 2018, the Group disposed of 51% of the entire issued share capital of Fujian Ronghai Environmental Technology Co., Ltd (福建省融海環境科技有限公司) ("**Fujian Ronghai**") (the "**Fujian Ronghai Disposal**"). Upon completion of the Fujian Ronghai Disposal in 2018, Fujian Ronghai ceased to be a subsidiary of the Company. However, as per the records in the State Administration for Market Regulation of the People's Republic of China (the "**SAMR**"), Beijing Sound ceased to be the registered shareholder of Fujian Ronghai on 11 October 2019.

Subsequent to the date of completion of the Fujian Ronghai Disposal in 2018, the management of Fujian Ronghai has been transferred to the buyer and the Group has been unable to gain access to the sale and purchase agreement and the books and records of Fujian Ronghai. The current management of Fujian Ronghai did not respond to the Group's requests and did not cooperate with the Group. The negotiation with the current management of Fujian Ronghai for accessing the sale and purchase agreement and the books and records of Fujian Ronghai is still in progress up to the date of approval of these consolidated financial statements.

Given these circumstances, the directors of the Company are of the opinion that they are unable to ensure the loss on disposal of Fujian Ronghai as recognised in the consolidated profit or loss for the year ended 31 December 2018 are free from misstatements. Further, given the lack of financial information available, the directors of the Company consider that they cannot determine whether the Fujian Ronghai Disposal resulted in any non-compliance with the Rules Governing the Listing of Securities on the HKEx (the "**Listing Rules**"), including the disclosure requirements and the shareholders' approval requirements under Chapter 14 "Notifiable Transactions" and Chapter 14A "Connected Transactions" under the Listing Rules and related party transaction in accordance with IAS 24 "Related Party Disclosures".

No revenue, income, expenses and cash flows for the years ended 31 December 2019 and 2018 of Fujian Ronghai have been included in the consolidated financial statements of the Group.

3. BASIS OF PREPARATION (CONTINUED)

(iii) During the year ended 31 December 2017, the Group disposed of 49% equity interests of Fuzhou City Dongxiang District Sound Water Co., Ltd (撫州市東鄉區桑德水務有限公司) ("**Fuzhou City Dongxiang District Sound**") to a buyer at zero consideration (the "**First Fuzhou City Dongxiang District Sound Disposal**"). Fuzhou City Dongxiang District Sound was principally engaged in construction, management and operation of the municipal wastewater projects in the PRC. Upon completion of the First Fuzhou City Dongxiang District Sound Disposal, Fuzhou City Dongxiang District Sound became a 51% owned subsidiary of the Company.

In addition, as disclosed in Note 34(d)(ii) to the consolidated financial statements, the Group further disposed of the remaining 51% equity interest of Fuzhou City Dongxiang District Sound to the buyer at zero consideration (the "**Second Fuzhou City Dongxiang District Sound Disposal**") during the year ended 31 December 2018. Upon completion of the Second Fuzhou City Dongxiang District Sound Disposal, Fuzhou City Dongxiang District Sound ceased to be a subsidiary of the Company.

In the opinion of the directors of the Company, subsequent to the completion of the Second Fuzhou City Dongxiang District Sound, the operation and management of Fuzhou City Dongxiang District Sound has been transferred to the buyer and the Group has been unable to gain access to the full books and records of Fuzhou City Dongxiang District Sound.

Given these circumstances, the directors of the Company have been unable to (i) consolidate the financial statements of Fuzhou City Dongxiang District Sound including its income and expenses into the consolidated financial statements of the Group for the year ended 31 December 2018 and (ii) adjust the carrying amount of the controlling and non-controlling interests to reflect the change in the Group's relative interests in Fuzhou City Dongxiang District Sound that arose from the completion of the First Fuzhou City Dongxiang District Sound Disposal. Had the financial information of Fuzhou City Dongxiang District Sound been consolidated to the Group's consolidated financial statements for the year ended 31 December 2018, (i) the retained earnings and the non-controlling interests recognised in the consolidated statement of changes in equity for the year ended 31 December 2018, and (ii) the loss and total comprehensive loss for the year attributable to owners of the Company and the non-controlling interests recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018 would be affected. The non-recognition of the effects of the equity transaction for the disposal of partial interests in the subsidiary is a departure from the requirements of IFRS 10 "Consolidated Financial Statements" which requires the Group to adjust the carrying amounts of the controlling and non-controlling interests to reflect the changes in its relative interests in Fuzhou City Dongxiang District Sound.

Further, given the lack of financial information available, the directors of the Company consider that they cannot determine whether the First Fuzhou City Dongxiang District Sound Disposal and the Second Fuzhou City Dongxiang District Sound Disposal resulted in any non-compliance with the Listing Rules, including the disclosure requirements and the shareholders' approval requirements under Chapter 14 and Chapter 14A under the Listing Rules and related party transaction in accordance with IAS 24.

3. BASIS OF PREPARATION (CONTINUED)

(iv) During the year ended 31 December 2016, the Group acquired 70% equity interests of Zhongye Zhengyi Group Co., Ltd (中冶正益集團有限公司) (subsequently known as “Sound Construction Group Co., Ltd” (桑德建設集團有限責任公司) and now known as “Zhejiang Yinghe Construction Group Co., Ltd” (浙江營合建設集團有限公司)) (“**Zhongye Zhengyi**”) at a consideration of RMB30,000,000. During the year ended 31 December 2018, the Group further acquired 30% equity interest of Zhongye Zhengyi at zero consideration. In 2021, the Group disposed the entire equity interests of Zhongye Zhengyi to third parties at total cash consideration of RMB1. Upon completion of the disposal, Zhongye Zhengyi and its subsidiaries (collectively referred to as the “**Zhongye Zhengyi Group**”) ceased to be subsidiaries of the Group. Zhongye Zhengyi is an investment holding company and its subsidiaries are mainly engaged in industrial and civil construction, foundation, property management, rental service of construction machinery and equipment and equity investment management and consulting services in the PRC. As at 31 December 2019, Zhongye Zhengyi held the entire equity interests in Jiaxing Zhengyi Equity Investment Management Co., Ltd (嘉興市正益股權投資管理有限公司), Jiaxing Zhenghao Property Service Co., Ltd (嘉興正皓物業服務有限公司) and Jiaxing Zhengxing Machinery and Equipment Leasing Co., Ltd (嘉興正興機械設備租賃有限公司).

Despite the facts that (i) the change in shareholders of registered capital of Zhongye Zhengyi under the name of a subsidiary of the Company; (ii) the change in three directors of Zhongye Zhengyi; (iii) the change of the company name of Zhongye Zhengyi; and (iv) the change in the legal representative of Zhongye Zhengyi to a key management personnel of the Group who subsequently resigned on 5 August 2016 were registered in the SAMR, the Group has been unable to gain access to the books and records of the Zhongye Zhengyi Group subsequent to the completion of the acquisition of Zhongye Zhengyi. The existing management of the Zhongye Zhengyi Group did not respond to the Group’s requests and did not cooperate with the Group. The negotiation with the existing management of the Zhongye Zhengyi Group is still in progress up to the date of the approval of the consolidated financial statements. Given these circumstances, the Group was unable to consolidate the financial statements of the Zhongye Zhengyi Group into the consolidated financial statements or accounts of the Group with effect from the date of acquisition of the Zhongye Zhengyi Group. As a result of the non-consolidation of the Zhongye Zhengyi Group, no non-controlling interests in the identifiable net assets of the Zhongye Zhengyi Group has been measured or recognised at the date of acquisition and no non-controlling interests in respect of their share of the results and equity movements of the Zhongye Zhengyi Group has been recognised in the consolidated statements of profit or loss and other comprehensive income and changes in equity since the date of acquisition. In addition, an impairment loss in respect of the investment in Zhongye Zhengyi of RMB30,000,000 was recognised for the year ended 31 December 2016. This accounting treatment of cost less impairment, instead of consolidation, is a departure from the requirements of IFRS 10 which requires all subsidiaries controlled by the Company and its subsidiaries to be included in the consolidated financial statements. Under IFRS 10, the Company should have consolidated the Zhongye Zhengyi Group in its consolidated financial statements for the years ended 31 December 2019 and 2018 with effect from the date of acquisition of the Zhongye Zhengyi Group.

Had the Zhongye Zhengyi Group been consolidated, many elements in the consolidated financial statements for the years ended 31 December 2019 and 2018 might have been materially affected. Furthermore, a goodwill or bargain purchase gain would have arisen from the purchase price allocation of consideration for the acquisition of the Zhongye Zhengyi Group to the fair values of identifiable assets and liabilities of the Zhongye Zhengyi Group as at the acquisition date, as required by IFRS 3 “Business Combinations” and impairment loss would be recognised on the goodwill and assets of the Zhongye Zhengyi Group based on impairment assessments carried out in accordance with IAS 36 “Impairment of Assets”. Also, non-controlling interests in the Zhongye Zhengyi Group would have been measured at the date of acquisition and the results of the Zhongye Zhengyi Group would have been allocated to the non-controlling interests during the years ended 31 December 2019 and 2018.

3. BASIS OF PREPARATION (CONTINUED)

(iv) (continued)

In 2021, Jiaxing Xiuzhou People's Court (嘉興市秀洲區人民法院) issued a ruling on the bankruptcy reorganisation of Zhongye Zhengyi because of Zhongye Zhengyi's inability to repay liabilities and apparent lack of solvency. Zhongye Zhengyi had 185 creditors with liabilities of approximately RMB539,412,000 and accrued salaries and staff benefits of approximately RMB3,055,000. Beijing Sound was one of the guarantors for the loans of Zhongye Zhengyi with principal amounts of approximately RMB47,054,000. It was uncertain that whether the Group has provided any further guarantee on the liabilities of Zhongye Zhengyi as at 31 December 2019.

Jiaxing Xiuzhou People's Court approved the reorganisation proposal on 20 October 2021 that the Group disposed the entire equity interest in Zhongye Zhengyi to third parties at total cash consideration of RMB1 and all the liabilities of Zhongye Zhengyi would be settled by assets of Zhongye Zhengyi and the new investor. According to the reorganisation proposal, the Group was one of the creditors of Zhongye Zhengyi with receivables amounted to approximately RMB157,199,000, which would be fully settled by approximately RMB33,815,000.

(v) On 15 June 2017, the board of directors of the Company (the "**Board**") received two letters from Mr. Wen and Changjiang Capital Fund (the "**Potential Offerors**") (collectively, the "**Letters**"), in which the Potential Offerors informed the Board that they were in the preliminary phase of considering the feasibility of pursuing a proposal for the privatisation of the Company, which, if proceeded with, could result in the privatisation and delisting of the Company from the HKEx (the "**Possible Proposal**"). The Board was also informed by the Potential Offerors that, in relation to the Possible Proposal, the Potential Offerors were acting in concert. The privatisation was not yet completed up to the date of approval of these consolidated financial statements.

(vi) On 29 August 2019 and 12 September 2019, the Company announced that on 28 August 2019, the Company received a letter from the HKEx stating that since the Company failed to resume trading in its securities by 31 July 2019, the HKEx is now entitled to cancel its listing under Listing Rule 6.01A(2)(b)(ii). Nonetheless, the HKEx stated in the Letter that it has now decided to withhold exercising its right to cancel the listing of the Company under Listing Rule 6.01A(2)(b)(ii) for six months, until 31 January 2020. On 26 February 2020, 26 August 2020, 19 March 2021, 6 August 2021 and 8 February 2022, the Company further announced that the HKEx will further withhold exercising its rights to cancel the listing of the Company until 31 July 2022. The HKEx has also reserved all its rights under the Listing Rules.

(vii) On 19 March 2021, the Company announced that on 14 June 2019, the Commission filed a petition (the "**Petition**") with the Court of First Instance of the High Court of Hong Kong Special Administrative Region (the "**Court**") against, amongst others the Company and Mr. Wen. The Commission alleged that, *inter alia*, the business or affairs of the Company have been conducted by, among others, Mr. Wen, in a manner (i) involving defalcation, misfeasance or misconduct towards the Company, its subsidiaries and its members; (ii) resulting in its members not having been given all the information with respect to its business or affairs that they might reasonably expect; and/or (iii) which were unfairly prejudicial to its members or part of its members. The Commission has applied for, *inter alia*, (i) disqualification orders against, among others, Mr. Wen; (ii) an order requiring Mr. Wen to purchase the shares of the Company from public shareholders at a price determined by the Court; and (iii) an order directing the Company to appoint independent external auditor to review and prepare a report on its internal control and financial reporting procedures and publish and implement the suggested measures as may be advised in the report by the said independent external auditor. The hearing at the Court was scheduled on 29 October 2019 and has been delayed to hold on 14 June 2022. The Company will defend the Petition and make further announcement(s) in relation to the Petition as and when appropriate.

3. BASIS OF PREPARATION (CONTINUED)

(viii) During the year ended 31 December 2019, the Group entered into a series of agreements, as detailed in below, with Cinda Investment Co., Ltd (信達投資有限公司) ("**Cinda Investment**"), Hainan Jianxin Investment Management Co., Ltd (海南建信投資管理股份有限公司) ("**Hainan Jianxin**"), a wholly-owned subsidiary of Cinda Investment, Sound Group and Ningbo Meishan Bonded Port Jinxin Tairun Investment Partnership (Limited Partnership) (寧波梅山保稅港區金信泰潤投資合夥企業(有限合夥)) ("**Jinxin Tairun**") (please refer to Note 35(e) for further details of Jinxin Tairun) whereby the Group disposed certain subsidiaries to vehicles held by Hainan Jianxin and Sound Group through a trust company. These disposal arrangements were entered for the purpose of Sound Group's loans restructuring together with the early repayments of loans from Jinxin Tairun as detailed in Note 35(e) to the consolidated financial statements.

During the year ended 31 December 2019, the Group entered into agreements to dispose of entire equity interests of Fuyang Sound Water Co., Ltd (阜陽桑德水務有限公司), Leiyang Sound Water Co., Ltd (耒陽桑德水務有限公司) and Shandong Chengwu Yingyuan Industrial Co., Ltd (山東省成武盈源實業有限公司) ("**Shandong Chengwu**") to Jinxin Tairun and/or Hainan Jianxin at total cash consideration of RMB225,000,000. As per the records in the SAMR, the changes of registered shareholders were completed in 2019 and the Group has no equity interests in these companies after the date of completion. These companies were subsequently held by Tianjin Sound Water Co., Ltd (天津桑德水務有限公司) ("**Tianjin Sound Water**") in 2020.

During the year ended 31 December 2019, the Group entered into agreements to dispose of the entire 70% equity interests of Shantou Guanbu Sound Water Co., Ltd (汕頭市關埠桑德水務有限公司) ("**Shantou Guanbu Sound**"), Shantou Heping Sound Water Co., Ltd (汕頭市和平桑德水務有限公司) ("**Shantou Heping Sound**") and Shantou Tongyu Sound Water Co., Ltd (汕頭市銅盂桑德水務有限公司) ("**Shantou Tongyu Sound**") to Tianjin Sound Water at total cash consideration of approximately RMB63,096,000. As per the records in the SAMR, the changes of registered shareholders were completed in 2019 and the Group has no equity interests in these companies after the date of completion.

During the year ended 31 December 2019, the Group entered into agreements to dispose of (i) entire equity interests of Taizhou Qinlong Sound Water Co., Ltd (泰州溱瀧桑德水務有限公司) ("**Taizhou Qinlong Sound**"), Siyang Siqing Water Co., Ltd (泗陽泗清水務有限公司), Taian Sound Water Co., Ltd (台安桑德水務有限公司), Yulin Sound Water Co., Ltd (榆林桑德水務有限公司), Jingxian Sound Water Treatment Co., Ltd (景縣桑德淨水有限公司), Anshan Tianqing Water Co., Ltd (鞍山天清水務有限公司) ("**Anshan Tianqing**"), Xianyang Xingping Sound Water Co., Ltd (咸陽興平桑德水務有限公司), Hailun Sound Water Co., Ltd (海倫桑德水務有限公司) ("**Hailun Sound**"), Taihe Sound Water Treatment Co., Ltd (太和桑德淨水有限公司), Dazhou Sound Water Co., Ltd (達州桑德水務有限公司), Xishui Sound Water Co., Ltd (習水桑德水務有限公司), Ankang Sound Water Co., Ltd (安康桑德水務有限公司) and Baoding Sound Water Treatment Co., Ltd (保定桑德水處理有限公司), and (ii) the entire 70% equity interests of Huizhou Sound Water Co., Ltd (惠州桑德水務有限公司) to Tianjin Sound Environmental Engineering Co., Ltd (天津桑德環境工程有限公司) ("**Tianjin Sound Engineering**") at total cash consideration of RMB467,000,000. As per the records in the SAMR, the changes of registered shareholders were completed in 2019 and the Group has no equity interests in these companies after the date of completion.

During the year ended 31 December 2019, the Group entered into an agreement to dispose of 14.44% of equity interests of Lianshui Biqing Water Co., Ltd (漣水碧清水務有限公司) ("**Lianshui Biqing**") to Tianjin Sound Engineering at cash consideration of approximately RMB5,487,000. As per the records in the SAMR, the changes of registered shareholders were completed in 2019 and the Group held 85.56% equity interests in Lianshui Biqing.

As per records in the SAMR, Mr. Wen acted as the legal representative of Tianjin Sound Water and Tianjin Sound Engineering which held by the trust company on behalf of Hainan Jianxin and Sound Group.

3. BASIS OF PREPARATION (CONTINUED)

(viii) (continued)

Despite the fact that the changes of registered shareholders of the above companies (the "**2019 Disposed but Consolidated Subsidiaries**") as recorded in SAMR were completed in 2019, the management of the Group continued to consolidate the assets and liabilities of these subsidiaries as at 31 December 2019 and their financial performance for the year then ended in the Group's consolidated financial statements for the year ended 31 December 2019 and no effect on non-controlling interests has been recognised, after considering that the operations of these companies were remained to be managed by the Group and therefore the Group continued to have control over these companies. Therefore, no gain or loss on disposal of subsidiaries was recognised. The directors of the Company consider that the disposal of Taizhou Qinlong Sound and Shandong Chengwu by the Group were completed upon Tianjin Sound Engineering and Jinxin Tairun disposed their entire equity interests of these subsidiaries to other third parties during the year ended 31 December 2020 which as per the records in the SAMR, the changes of the registered shareholders of Taizhou Qinlong Sound and Shandong Chengwu were completed in 2020 and Tianjin Sound Engineering or Jinxin Tairun have no equity interest in Taizhou Qinlong Sound and Shandong Chengwu after the date of completion.

Should the 2019 Disposed but Consolidated Subsidiaries be disposed in the year ended 31 December 2019, the continuing inclusion of the assets, liabilities, results and cash flows of the 2019 Disposed but Consolidated Subsidiaries after the date of disposal in the consolidated financial statements of the Group for the year ended 31 December 2019 is a departure from the requirements of IFRS 10. Further, given the lack of information available, the directors of the Company consider that they cannot determine whether the above transactions resulted in any non-compliance with the Listing Rules, including the disclosure requirements and the shareholders' approval requirements under Chapter 14 and Chapter 14A under the Listing Rules and related party transaction in accordance with IAS 24.

(ix) During the year ended 31 December 2019, the Group recorded a loss attributable to the owners of the Company of approximately RMB1,953,237,000 (2018: RMB1,001,549,000) and net cash outflow from operating activities of approximately RMB1,182,395,000 (2018: RMB3,511,485,000) and, as of that date, the Group's current liabilities exceeded its current assets by approximately RMB1,728,043,000 (2018: RMB491,145,000). Also, as at 31 December 2019, the Group recorded total borrowings exceeding restricted bank balances and bank balances and cash of approximately RMB8,444,196,000 (2018: RMB9,126,634,000). The Group recorded current and non-current borrowings of approximately RMB2,899,365,000 (2018: RMB5,399,265,000) and RMB5,960,351,000 (2018: RMB4,446,864,000) respectively and restricted bank balances and bank balances and cash of aggregate amount of approximately RMB415,520,000 (2018: RMB719,495,000) as at 31 December 2019. Further, as at 31 December 2019, included in borrowings were unsecured bonds with principal amounts of RMB600,000,000 and RMB600,000,000 subsequently matured in 2020 and 2021 respectively and together with the respective interests are remained unsettled up to the date of approval of these consolidated financial statements.

These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors of the Company have assessed the latest financial position and operating performance of the Group. The directors of the Company are of the view that the Group is able to meet with its liabilities as and when they fall due in the foreseeable future. The directors believe that the Group is able to repay or extend its existing borrowings upon their maturities, through cash flows from operations and working capital, financial support from the controlling shareholder and continuing support from other financial institutions. Accordingly, the directors of the Company consider that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs.

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

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 if market participants would take those characteristics 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 IFRS 2 "Share-based Payment", leasing transactions that are within the scope of IFRS 16 (since 1 January 2019) or IAS 17 (before application of IFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 "Inventories" or value in use in IAS 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.

The principal accounting policies are set out below.

Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRSs issued by the International Accounting Standards Board ("**IASB**") and the accounting policies are set out below. In addition, the consolidated financial statements included applicable disclosures required by the Listing Rules, the Hong Kong Companies Ordinance and the Singapore Companies Act.

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 to affect its returns.

The Group 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

When the Group 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 Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

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

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

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

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 intra-group 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 presented separately from the Group's equity therein, which represent ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). 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 IFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations

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

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 “Income Taxes” and IAS 19 “Employee Benefits” respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer’s previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary’s net assets in the event of liquidation are initially measured at the non-controlling interests’ proportionate share of the recognised amounts of the acquiree’s identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less any accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash generating unit (or group of cash-generating unit) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating unit) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a *pro-rata* basis based on the carrying amount of each asset in the unit (or group of cash-generating unit).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

Investments in associates

An associate is an entity over which the Group has significant influence. 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. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds 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), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that 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. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates (continued)

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of IFRS 9, 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. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate 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) upon disposal / partial disposal of the relevant associate.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

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.

Revenue recognition

Revenue from contracts with customers

The Group 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.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

(a) *Construction service revenue*

The Group's performance in respect of construction services creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced, thus the Group satisfies a performance obligation and recognises revenue over time, by reference to completion of the specific transaction assessed on the basis of the surveyors' assessment of work performed and the costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

Revenue from the construction services under a service concession agreement is estimated on a cost-plus basis with reference to prevailing market rates of gross margins at the date of the agreement applicable to similar construction services rendered.

(b) *Operating and maintenance income*

The Group recognises revenue from operating services provided under service concession arrangements when services are rendered and is measured based on output method, which is to recognise revenue on the volume of water treated.

(c) *Design service income*

The Group recognises revenue from design service when services are rendered. The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring services.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(d) *Sales of equipment*

Revenue from the sales of equipment is recognised at the point in time when control of the asset is transferred to the customer, generally when the customer obtains the physical possession or the legal title of the completed equipment and the Group has present right to payment and the collection of the consideration is probable.

Revenue from other sources and other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Leases

Definition of a lease (upon application of IFRS 16 in accordance with transitions in Note 2)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as lessee (upon application of IFRS 16 in accordance with transitions in Note 2)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative standalone price of the lease component and the aggregate stand- alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of machinery and office equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

The Group as lessee (upon application of IFRS 16 in accordance with transitions in Note 2) (continued)

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets for own use by the Group are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets for own use by the Group in “property, plant and equipment”, the same line item within which the corresponding underlying assets would be presented if they were owned.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 “Financial Instruments” and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

The Group as lessee (upon application of IFRS 16 in accordance with transitions in Note 2) (continued)

Lease liabilities (continued)

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities and lease incentives from lessor by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

The Group as lessee (prior to 1 January 2019)

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 consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the lease 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.

Sale and leaseback transactions (upon application of IFRS 16 since 1 January 2019)

The Group applies the requirements of IFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Group.

The Group as a seller-lessee

For a transfer that does not satisfy the requirements as a sale, the Group as a seller-lessee accounts for the transfer proceeds as lease liabilities within the scope of IFRS 9.

For a transfer that satisfies the requirements as a sale, the Group as a seller-lessee measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset and recognises any gain or loss that relates to the rights transferred to the buyer-lessor only.

Sale and leaseback transactions (prior to 1 January 2019)

The accounting treatment of a sale and leaseback transaction depends on the type of lease involved. The leaseback may be a finance lease if it meets the condition that substantially all the risks and rewards of ownership remain with the lessee, or it may be an operating lease (in which case, some significant risks and rewards of ownership have been transferred to the purchaser).

The Group as a seller-lessee

For sale and leaseback transactions which are in substance a financing arrangement under IFRS 9, the Group accounts for the sales proceeds as obligations under finance lease within the scope of IFRS 9.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

Property, plant and equipment including land and buildings and leasehold land (classified as finance lease) held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as describes below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" (upon application of IFRS 16) or "land use rights" (before application of IFRS 16) in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is provided to write off the cost of items of property, plant and equipment other than properties under construction over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method, at the following rates per annum:

Land use right	Over the term of the lease
Land and buildings	2% to 3%
Plant and machinery	3% to 33%
Transportation vehicles	18%
Fixtures and equipment	9% to 33%

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that day. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributable to non-controlling interests as appropriate).

Borrowing costs

Borrowing costs directly attributed 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 cost eligible for capitalisation.

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Service concession arrangements

The Group has entered into service concession arrangements with the various governing bodies or agencies of the PRC government (the "**grantors**") to build and operate waste water treatment plants. Under the concession arrangements, the Group will construct and/or operate the plants for a concession period and transfer the plants to the grantors at the end of the concession periods. Such concession arrangements fall within the scope of IFRIC 12 "Service Concession Arrangement", and are accounted for as follows:

Financial asset - service concession receivables

The Group recognises a service concession receivable if it has an unconditional contractual right under the service concession arrangements to receive a fixed or determinable amount of payments during the concession period irrespective of the usage of the plants. The service concession receivable is measured on initial recognition at its fair value. Subsequent to initial recognition, the service concession receivable is measured at amortised cost using the effective interest method.

Intangible asset - operating concession

An intangible asset (operating concession) is recognised to the extent that the Group receives a right to charge users of the public service, which is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service. The intangible asset (operating concession) is recognised at fair value upon initial recognition and is carried at cost less accumulated amortisation and any accumulated impairment losses.

If the Group is paid partly by a financial asset and partly by an intangible asset, in which case, each component of the consideration is accounted for separately and the consideration received or receivable for both components shall be recognised initially at the fair value of the consideration received or receivable.

Retirement benefit costs

Payments to the defined contribution retirement benefits scheme under the state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expenses represent 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 before income tax as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with 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 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 the 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

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 to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Land use rights

Prior to 1 January 2019, land use rights are stated at cost and amortised on a straight-line basis over the lease terms. Land use rights which are to be amortised in the next twelve months or less are classified as current assets.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date. Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses.

Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible asset is reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment losses of tangible assets and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives 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. 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.

The recoverable amount of tangible assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) 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 (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sales.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income which are derived from the Group's ordinary course of business are presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

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

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of IFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(ii) Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in other comprehensive income and accumulated under the heading of FVTOCI reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these debt instruments. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

(iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

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

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

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

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

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

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

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

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(v) Measurement and recognition of ECL (continued)

Except for investments in debt instruments that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in the FVTOCI reserve without reducing the carrying amount of these debt instruments. Such amount represents the changes in the FVTOCI reserve in relation to accumulated loss allowance.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another 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.

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

On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to retained profits.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity

Classification as debt or equity

Debt and equity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Interest expense is recognised on an effective interest basis other than those financial liabilities classified as FVTPL.

Financial liabilities

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

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities at FVTPL (continued)

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised 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 in profit or loss. For financial liabilities that contain embedded derivatives, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

Financial liabilities at amortised cost

Financial liabilities are subsequently measured at amortised cost, using the effective interest method.

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 payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Non-substantial modifications of financial liabilities

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity (continued)

Derecognition/Substantial modification of financial liabilities

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

The Group accounts for an exchange with a lender of a financial liability with substantially different terms as an extinguishment of the original financial liability and the recognition of a new financial liability. A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the Group) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payment transactions

Equity-settled share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

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, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to issued capital. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.

Related party transactions

A party is considered to be related to the Company if:

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control of the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiaries is related to the others);
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group which the other entity is a member);
- (iii) both entities are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employees are also related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related party transactions (continued)

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependents of that person or that person's spouse or domestic partner.

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. When 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 (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a 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.

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

5. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgments, 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 on-going 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.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Control over the 2019 Disposed but Consolidated Subsidiaries

In the opinion of the directors of the Company, the Group has control over the 2019 Disposed but Consolidated Subsidiaries throughout the year ended 31 December 2019 because the operations of these companies were managed by the Group throughout the year.

Key sources of estimation uncertainty

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

Income taxes and deferred tax

The Group is subject to income taxes in the PRC. Significant estimates are required in determining the amount of the provision for income tax and the time of payment of the related tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters are different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference or tax losses can be utilised. The outcome of their actual utilisation may be different.

Revenue recognition

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 4. Significant estimation is required in determining the stage of completion, includings the extent of the contract costs incurred, the estimated total contract revenue and the estimated total contract cost and the recoverability of the costs. In assessing the estimation, the Group relies on past experience and the work of the project management team. Changes in the estimation of contract revenue or contract costs, or changes in the estimated outcome of a contract could affect the amounts of revenue and expenses recognised in profit or loss in the period in which the changes are made and in subsequent periods. Such impact could potentially be significant.

5. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (continued)

Accounting for IFRIC 12 Service Concession Arrangements

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

The segregation of the consideration for a service concession arrangement between the financial asset component and the intangible asset component, if any, requires the Group to make an estimate of a number of factors, which include, *inter alia*, fair value of the construction services, expected future wastewater 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 condition. Changes in these estimates could impact the amounts of construction revenue and deemed interest income and expenses recognised in profit or loss in the period in which the change is made and in subsequent periods. Such impact could potentially be significant.

Provision of ECL for trade and other receivables, amounts due from customers for contract work and service concession receivables

Trade and other receivables, amounts due from customers for contract work and service concession receivables with significant balances and credit-impaired are assessed for ECL individually. The provision rates are based on comparable companies with published credit ratings as groupings of various debtors that have similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forward-looking credit risk information. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade and other receivables, amounts due from customers for contract work and service concession receivables are disclosed in Notes 22, 25 and 27 respectively.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (other than goodwill) at each reporting date. These assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value-in-use calculations are undertaken, management estimates the expected future cash flows from the asset or CGU and determines a suitable discount rate in order to calculate the present value of those cash flows.

6. 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 (the "**CODM**") 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 CODM for the purposes of resource allocation and assessment of performance.

The Group is primarily engaged in three operating segments, namely:

(1) Turnkey projects and services segment engages in environmental construction activities related to water treatment, research and development of water treatment technologies and provision of services for technology consultation and construction,

(2) Equipment Fabrications segment engages in manufacturing of water treatment equipment, and

(3) O&M segment engages in operations and maintenance of water supply and wastewater treatment facilities.

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4. Segment results represent the profits earned by each segment without allocation of central administration costs, directors' remuneration, other income, other gains and losses and finance costs at corporate level.

Segment information about the Group's operating segments is presented below.

Segment revenue and results

	Turnkey projects and services RMB'000	Equipment Fabrications RMB'000	O&M RMB'000	Segment total RMB'000	Elimination RMB'000	Consolidated RMB'000
For the year ended 31 December 2019						
Revenue						
External sales	2,009,965	-	1,368,781	3,378,746	-	3,378,746
Inter-segment sales	-	62,317	-	62,317	(62,317)	-
Total revenue	2,009,965	62,317	1,368,781	3,441,063	(62,317)	3,378,746
Segment results	(1,003,015)	(23,626)	(596,683)	(1,623,324)	-	(1,623,324)
Unallocated income						40
Unallocated other gains and losses, net						(123,396)
Unallocated finance costs						(35)
Unallocated expenses						(14,220)
Loss before income tax						(1,760,935)

6. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

	Turnkey projects and services RMB'000	Equipment Fabrications RMB'000	O&M RMB'000	Segment total RMB'000	Elimination RMB'000	Consolidated RMB'000
For the year ended 31 December 2018						
Revenue						
External sales	3,166,762	8,630	1,634,684	4,810,076	-	4,810,076
Inter-segment sales	-	258,439	-	258,439	(258,439)	-
Total revenue	3,166,762	267,069	1,634,684	5,068,515	(258,439)	4,810,076
Segment results	(110,383)	7,045	(610,261)	(713,599)	-	(713,599)
Unallocated income						12
Unallocated other gains and losses, net						(30,514)
Unallocated finance costs						-
Unallocated expenses						(21,409)
Loss before income tax						(765,510)

Inter-segment sales are charged at prices agreed between the group entities and are eliminated on consolidation.

6. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

Segment assets represent property, plant and equipment, land use rights, intangible assets, goodwill, service concession receivables, deferred tax assets, financial assets at FVTPL, inventories, trade and other receivables, amounts due from customers for contract work, restricted bank balances and bank balances and cash, which are attributable to each operating segment. Segment liabilities represent trade and other payables, tax payables, borrowings, leases liabilities/obligations under finance lease, amounts due to customers for contract work and deferred tax liabilities except for those arisen from undistributed profits of the PRC subsidiaries, which are attributable to each operating segment. In the internal reports regularly reviewed by the CODM, tax payables and deferred tax assets/liabilities are allocated to each segment, if applicable, without allocating the related income tax expenses to relevant segment results.

	Turnkey projects and services RMB'000	Equipment Fabrications RMB'000	O&M RMB'000	Segment total RMB'000	Elimination RMB'000	Consolidated RMB'000
As at 31 December 2019						
Segment assets	**15,447,779**	**1,572,268**	**14,048,167**	**31,068,214**	**(10,670,989)**	**20,397,225**
Unallocated corporate assets (note i)						**841,472**
Consolidated assets						**21,238,697**
Segment liabilities	**14,472,159**	**1,188,683**	**11,870,949**	**27,531,791**	**(10,670,989)**	**16,860,802**
Deferred tax liabilities						**14,527**
Unallocated corporate liabilities (note ii)						**1,464,627**
Consolidated liabilities						**18,339,956**
As at 31 December 2018						
Segment assets	17,373,334	1,534,754	14,457,724	33,365,812	(11,034,287)	22,331,525
Unallocated corporate assets (note i)						18,338
Consolidated assets						22,349,863
Segment liabilities	16,553,748	1,139,716	10,782,190	28,475,654	(11,034,287)	17,441,367
Deferred tax liabilities						13,491
Unallocated corporate liabilities (note ii)						63,625
Consolidated liabilities						17,518,483

notes:

i Unallocated corporate assets mainly represent bank balances and cash, other receivables and equipment at the corporate and investment holding companies' levels.

ii Unallocated corporate liabilities mainly represent borrowings and other payables at the corporate and investment holding companies' levels.

6. SEGMENT INFORMATION (CONTINUED)

Other information

	Turnkey projects and services RMB'000	Equipment Fabrications RMB'000	O&M RMB'000	Unallocated RMB'000	Total RMB'000
For the year ended 31 December 2019					
Additions to non-current assets excluding financial instruments and deferred tax assets	143	-	6,857	661	7,611
Depreciation and amortisation	2,976	546	47,870	1,674	53,066
Loss on disposal of property, plant and equipment	258	4	5	1	268
Government grants	(996)	-	(28,807)	-	(29,803)
Interest income	(34,472)	(6)	(5)	-	(34,483)
Finance costs	178,204	9,693	191,226	35	379,158
Imputed interest income included in revenue	-	-	(421,241)	-	(421,241)
Research and development expenses	28,059	5,747	-	-	33,806
Allowance for ECL on service concession receivable	-	-	466,279	-	466,279
Allowance for ECL on trade receivables	724,246	534	171,727	-	896,507
Allowance for ECL on other receivables	234,757	4,189	875,215	1,091	1,115,252
Allowance for ECL reversed on amount due from customers for contract work	86,281	-	-	-	86,281
Impairment loss recognised in respect of interests in associates	-	-	-	95,305	95,305

6. SEGMENT INFORMATION (CONTINUED)

Other information (continued)

	Turnkey projects and services RMB'000	Equipment Fabrications RMB'000	O&M RMB'000	Unallocated RMB'000	Total RMB'000
For the year ended 31 December 2018					
Additions to non-current assets excluding financial instruments and deferred tax assets	5,494	21,430	25,919	352	53,195
Depreciation and amortisation	18,663	2,727	18,903	78	40,371
Loss on disposal of property, plant and equipment	298	7	8	2	315
Government grants	(9,061)	(40)	(47,415)	-	(56,516)
Interest income	(29,284)	(10)	(9)	(10)	(29,313)
Finance costs	217,003	13,664	263,271	-	493,938
Imputed interest income included in revenue	-	-	(481,273)	-	(481,273)
Research and development expenses	35,138	6,526	-	-	41,664
Allowance for ECL on service concession receivable	-	-	1,108,193	-	1,108,193
Allowance for ECL (reversed/ recognised on trade receivables	(7,972)	171	12,581	-	4,780
Allowance for ECL on other receivables	4,837	1,771	2,708	-	9,316
Allowance for ECL reversed on amount due from customers for contract work	(1,012)	-	-	-	(1,012)
Impairment loss recognised in respect of interests in associates	-	-	-	38,750	38,750

6. SEGMENT INFORMATION (CONTINUED)

Geographical information

The Group's operations are located in the PRC, the People's Republic of Bangladesh ("**Bangladesh**") and Singapore. The Group's revenue from external customers is presented based on the location of the delivery of the goods or services to the customers. Information about the Group's non-current assets other than financial instruments and deferred tax assets is presented based on the geographical location of the assets.

	2019 RMB'000	2018 RMB'000
Revenue from external customers		
The PRC	**3,378,746**	4,809,314
Bangladesh	**-**	762
	3,378,746	4,810,076
Non-current assets		
The PRC	**1,020,549**	1,083,001
Singapore	**403**	213
	1,020,952	1,083,214

Information about major customers

No revenue from a single external customer amounted to 10% or more of the Group's total revenue for the year ended 31 December 2019 (2018: Nil).

The Group's revenue from Turnkey projects and services, Equipment Fabrications and O&M segments derived from local government authorities in the PRC amounted to approximately RMB3,095,708,000 (2018: RMB4,357,553,000) for the year ended 31 December 2019. The Group does not consider these local government authorities as a single customer.

7. REVENUE

	2019 RMB'000	2018 RMB'000
Revenue from contracts with customers		
Revenue from engineering, procurement and construction contracts (note (i))		
- Design service	**44,265**	72,604
- Sale of equipment	**414,851**	701,885
- Construction services	**1,433,705**	2,384,460
	1,892,821	3,158,949
Revenue from sale of equipment	**-**	8,630
Operating and maintenance income	**947,540**	1,153,411
Design service	**117,144**	7,813
Total revenue from contracts with customers (note (ii))	**2,957,505**	4,328,803
Imputed interest income on service concession receivables	**421,241**	481,273
	3,378,746	4,810,076

7. REVENUE (CONTINUED)

notes:

(i) Further breakdown of revenue from engineering, procurement and construction contracts:

	2019 RMB'000	2018 RMB'000
From contracts with external customers	**1,292,489**	2,304,570
From service concession arrangements of the Group which classified as service concession receivables	**600,332**	854,379
	1,892,821	3,158,949

(ii) Disaggregated revenue information

Segment	Turnkey projects and services RMB'000	Equipment Fabrications RMB'000	O&M RMB'000	Total RMB'000
For the year ended 31 December 2019				
Type of goods and services				
Design service	**161,409**	**-**	**-**	**161,409**
Sale of equipment	**414,851**	**-**	**-**	**414,851**
Construction services	**1,433,705**	**-**	**-**	**1,433,705**
Operating and maintenance income	**-**	**-**	**947,540**	**947,540**
Total revenue from contracts	**2,009,965**	**-**	**947,540**	**2,957,505**
Geographical location of customers				
The PRC	**2,009,965**	**-**	**947,540**	**2,957,505**
Bangladesh	**-**	**-**	**-**	**-**
Total revenue from contracts	**2,009,965**	**-**	**947,540**	**2,957,505**
Timing of revenue recognition				
Over time	**1,595,114**	**-**	**947,540**	**2,542,654**
At a point in time	**414,851**	**-**	**-**	**414,851**
Total revenue from contracts	**2,009,965**	**-**	**947,540**	**2,957,505**

7. REVENUE (CONTINUED)

notes: (continued)

(ii) Disaggregated revenue information (continued)

Segment	Turnkey projects and services RMB'000	Equipment Fabrications RMB'000	O&M RMB'000	Total RMB'000
For the year ended 31 December 2018				
Type of goods and services				
Design service	80,417	-	-	80,417
Sale of equipment	701,885	8,630	-	710,515
Construction services	2,384,460	-	-	2,384,460
Operating and maintenance income	-	-	1,153,411	1,153,411
Total revenue from contracts	3,166,762	8,630	1,153,411	4,328,803
Geographical location of customers				
The PRC	3,166,000	8,630	1,153,411	4,328,041
Bangladesh	762	-	-	762
Total revenue from contracts	3,166,762	8,630	1,153,411	4,328,803
Timing of revenue recognition				
Over time	2,464,877	-	1,153,411	3,618,288
At a point in time	701,885	8,630	-	710,515
Total revenue from contracts	3,166,762	8,630	1,153,411	4,328,803

7. REVENUE (CONTINUED)

notes: (continued)

(ii) Disaggregated revenue information (continued)

Segment	Turnkey projects and services RMB'000	Equipment Fabrications RMB'000	O&M RMB'000	Total RMB'000
For the year ended 31 December 2019				
Revenue				
External sales	**2,009,965**	**-**	**1,368,781**	**3,378,746**
Inter-segment sales	**-**	**62,317**	**-**	**62,317**
Total revenue	**2,009,965**	**62,317**	**1,368,781**	**3,441,063**
Imputed interest income on service concession receivables	**-**	**-**	**(421,241)**	**(421,241)**
Inter-segment eliminations	**-**	**(62,317)**	**-**	**(62,317)**
Total revenue from contracts	**2,009,965**	**-**	**947,540**	**2,957,505**
For the year ended 31 December 2018				
Revenue				
External sales	3,166,762	8,630	1,634,684	4,810,076
Inter-segment sales	-	258,439	-	258,439
Total revenue	3,166,762	267,069	1,634,684	5,068,515
Imputed interest income on service concession receivables	-	-	(481,273)	(481,273)
Inter-segment eliminations	-	(258,439)	-	(258,439)
Total revenue from contracts	3,166,762	8,630	1,153,411	4,328,803

8. OTHER INCOME

	2019 RMB'000	2018 RMB'000
Government grants (note)	**29,803**	56,516
Interest income	**34,483**	29,313
Sundry income	**3,691**	1,048
	67,977	86,877

note:

Government grants were mainly granted to the Group as subsidies to support the operations of the PRC subsidiaries. The government grants had no conditions or contingencies attached to them and they were non-recurring in nature.

9. OTHER GAINS AND LOSSES, NET

	2019 RMB'000	2018 RMB'000
Allowance for ECL on service concession receivables	**466,279**	1,108,193
Allowance for ECL on trade receivables (Note 25)	**896,507**	4,780
Allowance for ECL on other receivables	**1,115,252**	9,316
Allowance for ECL recognised/(reversed) on amounts due from customers for contract work (Note 27)	**86,281**	(1,012)
Fair value changes of financial assets at fair value through profit or loss	**-**	(122)
Loss on disposal of property, plant and equipment	**268**	315
Gain on bargain purchase of subsidiaries (Note 34)	**(2,621)**	-
(Gain)/loss on disposal of subsidiaries (Note 34)	**(33,604)**	45,627
Loss arising from deregistration of subsidiaries	**142**	-
Impairment loss recognised in respect of interests in associates	**95,305**	38,750
Gain on disposal of an associate	**(738)**	-
Net foreign exchange gain	**(1,188)**	(6,475)
Penalty and fine	**13,271**	5,447
Others	**3,884**	254
	2,639,038	1,205,073

10. FINANCE COSTS

	2019	2018
	RMB'000	RMB'000
Interest expenses on borrowings		
- wholly repayable within five years	**276,938**	175,166
- not wholly repayable within five years	**60,388**	147,945
Interest expenses on lease liabilities/obligations under finance lease	**41,832**	170,827
	379,158	493,938

11. INCOME TAX EXPENSES

	2019	2018
	RMB'000	RMB'000
The charge comprises:		
Current tax		
- PRC income tax	**62,998**	82,354
Deferred tax (Note 23)	**106,295**	120,222
	169,293	202,576

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the statutory tax rate of the PRC subsidiaries is 25% (2018: 25%).

The EIT Law provides that qualified dividend income between two "resident enterprises" that have a direct investment relationship is exempted from income tax. Otherwise, such dividends will be subject to a withholding tax under the tax treaty or the domestic law.

11. INCOME TAX EXPENSES (CONTINUED)

For the years ended 31 December 2019 and 2018, certain PRC subsidiaries of the Company enjoyed preferential income tax rates at 12.5% or 15% as follows:

	2019	2018
	%	%
Beijing Sound (note i)	**15**	15
Beijing Hi-Standard Water Treatment Equipment Co., Ltd ("**Hi-Standard Equipment**") (note ii)	**15**	15
Daye Honglian Water Co. Ltd ("**Daye Honglian**") (note iii)	**25**	12.5
Taizhou Qinlong Sound (note iii)	**25**	12.5
Anshan Qingchang Water Co., Ltd ("**Anshan Qingchang**") (note iii)	**12.5**	12.5
Anshan Qinglang Water Co., Ltd ("**Anshan Qinglang**") (note iii)	**12.5**	12.5
Anshan Tianqing (note iii)	**12.5**	12.5
Anyang Taiyuan Water Co., Ltd ("**Anyang Taiyuan**") (note iii)	**12.5**	12.5
Changsha Sound Water Co., Ltd ("**Changsha Sound**") (note iii)	**12.5**	12.5
Fushun Sound Water Co., Ltd ("**Fushun Sound**") (note iii)	**12.5**	12.5
Hailun Sound (note iii)	**12.5**	12.5
Hongze Zeqing Water Co., Ltd ("**Hongze Zeqing**") (note iii)	**12.5**	12.5
Sound Hanzhong Yang County Water Co., Ltd ("**Hanzhong Yang County**") (note iii)	**12.5**	12.5
Yantai Bihai (note iii)	**12.5**	12.5
Beijing Jingyushi Water Co., Ltd ("**Jingyushi**") (note iii)	**12.5**	12.5
Beijing Jingyuyang Water Co., Ltd ("**Jingyuyang**") (note iii)	**12.5**	12.5
Changbaishan Protection and Development Zone Sound Water Co., Ltd ("**Changbaishan Sound**") (note iii)	**12.5**	12.5
Helong Sound Water Co., Ltd ("**Helong Sound**") (note iii)	**12.5**	12.5
Hongze Sound Water Co., Ltd ("**Hongze Sound**") (note iii)	**12.5**	12.5
Tongzi Sound Water Co., Ltd ("**Tongzi Sound**") (note iii)	**12.5**	12.5
Advanced Water (Pengxi) Co., Ltd ("**Advanced (Pengxi)**") (note iv)	**15**	15
Tongliao Sound (note v)	**15**	15

notes:

(i) Beijing Sound is a sino-foreign joint cooperative company located in Beijing Zhong Guan Cun Science Park, Beijing, the PRC.

According to the EIT Law and Circular of State Administration of Taxation on Issues Concerning Implementation of Preferential Income Tax Enjoyed by High-and-new-tech Enterprises (Guo Shui Han 2009 No. 203), high-and-new-tech enterprises are levied enterprise income tax at 15%. Beijing Sound was entitled to enjoy a preferential tax rate at 15% in 2019 and 2018 as it has successfully applied as a high-and-new-tech enterprise.

11. INCOME TAX EXPENSES (CONTINUED)

notes: (continued)

(ii) Hi-Standard Equipment is a PRC limited liability company located in Beijing Zhong Guan Cun Science Park, Beijing, the PRC.

According to Guo Shui Han 2009 No. 203, Hi-Standard Equipment was entitled to enjoy a preferential tax rate of 15% for an effective period in 2019 and 2018 as it has successfully applied as a high-and-new-tech enterprise.

(iii) According to No.88 provision of the Implementation Rules on the EIT Law of the PRC and the third item in No.27 provision of the EIT Law of the PRC, the income of companies engaged in environmental protection projects, or energy and water saving projects, which meet relevant requirements, shall be exempted from enterprise income tax for three years commencing from the first revenue-generating year of operations and thereafter, be entitled to a 50% reduction from enterprise income tax for the next three years. The specific conditions and scope of projects shall be jointly formulated by the competent department of finance and taxation of the State Council in collaboration with other relevant departments of the State Council and shall be publicised and implemented after being approved by the State Council.

Daye Honglian and Taizhou Qinlong Sound have obtained the approval and were entitled to exempt from enterprise income tax in 2013, 2014 and 2015 and enjoyed 12.5% preferential enterprise income tax rate in the following three years.

Anshan Qingchang, Anshan Qinglang, Anshan Tianqing, Anyang Taiyuan, Changsha Sound, Fushun Sound, Hailun Sound, Hongze Zeqing, Hanzhong Yang County and Yantai Bihai have obtained the approval and are entitled to exempt from enterprise income tax in 2014, 2015 and 2016 and enjoy 12.5% preferential enterprise income tax rate in the following three years.

Jingyushi, Jingyuyang, Changbaishan Sound, Helong Sound, Hongze Sound and Tongzi Sound have obtained the approval and are entitled to exempt from enterprise income tax in 2015, 2016 and 2017 and enjoy 12.5% preferential enterprise income tax rate in the following three years.

(iv) Advanced (Pengxi) is a foreign investment enterprise located in Pengxi County, Suining City, Sichuan, the PRC.

According to the EIT Law, Notice of the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation on Tax Policy Issues Concerning Further Implementing the Western China Development Strategy (No. 58 2011 of the Ministry of Finance), and Announcement of the State Administration of Taxation on Issues Concerning Enterprise Income Tax Related with Enhancing the Western Region Development Strategy, enterprise's main business belongs to the scope of "Catalogue of Encouraged Industries in Western Regions" are levied enterprise income tax at 15%. Advanced (Pengxi) was entitled to enjoy a preferential tax rate at 15% from 2011 to 2020.

(v) According to the EIT Law, Notice of the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation on Tax Policy Issues Concerning Further Implementing the Western China Development Strategy (No. 58 2011 of the Ministry of Finance), and Announcement of the State Administration of Taxation on Issues Concerning Enterprise Income Tax Related with Enhancing the Western Region Development Strategy, enterprises whose main business belongs to the scope of "Catalogue of Encouraged Industries in Western Regions" are levied enterprise income tax at 15%. Tongliao Sound was entitled to enjoy a preferential tax rate at 15% from 2017 to 2020.

11. INCOME TAX EXPENSES (CONTINUED)

The income tax expenses can be reconciled to the loss before income tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019 RMB'000	2018 RMB'000
Loss before income tax	**(1,760,935)**	(765,510)
Tax at the applicable income tax rate of respective tax jurisdictions	**(440,234)**	(74,634)
Tax effect of expenses not deductible for tax purpose	**701,552**	254,820
Tax effect of income not taxable for tax purpose	**(37,684)**	(11,652)
Effect of taxable profits taxed at preferential tax rates or subjected to tax exemption	**(76,010)**	(83,325)
Tax effect of unrecognised deductible temporary differences	**13,726**	45,460
Tax effect of tax losses not recognised	**22,555**	89,978
Utilisation of tax losses previously not recognised	**(14,612)**	(18,071)
Income tax expense	**169,293**	202,576

12. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2019 RMB'000	2018 RMB'000
Amortisation of intangible assets	**39,546**	21,665
Amortisation of land use rights	**-**	1,157
Auditors' remuneration		
Audit services	**2,008**	3,282
Non-audit services	**24**	70
Cost of inventories recognised as expenses*	**375,225**	210,902
Sub-contracting costs incurred in construction services*	**1,171,296**	1,676,277
Depreciation for property, plant and equipment	**13,520**	17,549
Expense relating to short-term leases with lease terms end within 12 months	**3,858**	-
Rental and relevant services fee	**5,861**	96,103
Consultancy services fee	**5,329**	197,724
Financial guarantee fee	**-**	189,916
Staff costs		
Directors' remuneration (Note 13)	**3,876**	3,581
Other staff costs		
Salaries and other benefits	**171,673**	272,356
Bonus	**3,568**	2,448
Contributions to defined contribution plans	**17,520**	28,802
Total staff costs	**196,637**	307,187

* The expenses are included in "cost of sales" in the consolidated statements of profit or loss.

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Details of the emoluments paid to the directors and the chief executive of the Company for the year are as follows:

	2019	2018
	RMB'000	RMB'000
Directors' fees	**360**	360
Directors' emoluments:		
- Salaries and other benefits	**3,296**	2,691
- Bonus	**-**	305
- Contributions to defined contribution plans	**220**	225
	3,516	3,221
Total	**3,876**	3,581

	Directors' fees RMB'000	Salaries and other benefits RMB'000	Bonus RMB'000	Contributions to defined contribution plans RMB'000	Total RMB'000
For the year ended 31 December 2019					
Executive directors:					
WEN Yibo	**-**	**780**	**-**	**50**	**830**
LUO Liyang	**-**	**836**	**-**	**47**	**883**
ZHOU Hao	**-**	**635**	**-**	**50**	**685**
LIU Xiqiang	**-**	**613**	**-**	**50**	**663**
LI Feng	**-**	**432**	**-**	**23**	**455**
Independent non-executive directors:					
MA Yuanju	**120**	**-**	**-**	**-**	**120**
ZHANG Shuting	**120**	**-**	**-**	**-**	**120**
LUO Jianhua	**120**	**-**	**-**	**-**	**120**
	360	**3,296**	**-**	**220**	**3,876**
For the year ended 31 December 2018					
Executive directors:					
WEN Yibo	-	774	-	55	829
LUO Liyang	-	447	185	52	684
ZHOU Hao	-	421	48	55	524
LIU Xiqiang	-	606	21	55	682
LI Feng	-	443	51	8	502
Independent non-executive directors:					
MA Yuanju	120	-	-	-	120
ZHANG Shuting	120	-	-	-	120
LUO Jianhua	120	-	-	-	120
	360	2,691	305	225	3,581

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONTINUED)

notes:

Mr. Wen is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

None of the directors of the Company has waived any emoluments during the years ended 31 December 2019 and 2018.

The bonus is determined based on evaluation of each individual annually, which is approved by remuneration committee.

Salaries, allowances and other benefits paid to or for the executive directors are generally emoluments in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries.

Details of material interests of the directors of the Company in transactions, arrangements or contracts entered into by subsidiaries of the Company are disclosed in the Directors' Statement of this annual report.

14. EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals included three (2018: two) directors for the year ended 31 December 2019. The emoluments of the directors are included in the disclosure in Note 13 above. The emoluments of the remaining two (2018: three) highest paid individuals for the year ended 31 December 2019 are as follows:

	2019	2018
	RMB'000	RMB'000
Salaries and other benefits	**1,721**	2,758
Bonus (note)	**-**	64
Contributions to defined contribution plans	**97**	134
	1,818	2,956

note:

The performance related bonus is determined based on evaluation of each individual annually.

No emoluments were paid by the Group to the directors or the five highest paid individuals as inducement to join or upon joining the Group or as compensation for loss of office.

14. EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

Their emoluments were within the following band:

	Number of individuals	
	2019	2018
Nil to HK$1,000,000	**1**	3
HK$1,000,000 to HK$1,500,000	**1**	-

15. DIVIDENDS

No dividend has been proposed by the Board in respect of the years ended 31 December 2019 and 2018.

16. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to owners of the Company is based on the following data:

	2019	2018
	RMB'000	RMB'000
Loss for the purpose of basic and diluted loss per share	**(1,953,237)**	(1,001,549)

	2019	2018
	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,506,205**	1,506,205

No diluted loss per share for the years ended 31 December 2019 and 2018 were presented as there were no potential ordinary shares in issue for both 2019 and 2018.

17. PROPERTY, PLANT AND EQUIPMENT

	Land use right RMB'000	Land and buildings RMB'000	Plant and machinery RMB'000	Transportation vehicles RMB'000	Fixtures and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
As at 1 January 2018	-	68,721	45,854	29,223	52,235	96,030	292,063
Acquisition of subsidiaries (Note 34(b))	-	-	-	-	211	-	211
Additions	-	529	8,884	744	5,444	37,383	52,984
Disposal of a subsidiary	-	-	-	-	(217)	-	(217)
Disposal	-	-	(281)	(681)	(714)	-	(1,676)
Exchange alignment	-	-	(74)	(52)	(41)	-	(167)
As at 31 December 2018	-	69,250	54,383	29,234	56,918	133,413	343,198
Effect of IFRS 16	49,921	706	-	-	-	-	50,627
As at 1 January 2019 (restated)	49,921	69,956	54,383	29,234	56,918	133,413	393,825
Additions	-	-	776	443	2,310	2,375	5,904
Disposal of subsidiaries	-	(400)	(2,797)	(2,177)	(2,235)	-	(7,609)
Disposal	-	-	(93)	(170)	(787)	-	(1,050)
Transfer to service concession receivable	-	(1,606)	(13,776)	-	-	-	(15,382)
Written off	-	(215)	(4,124)	-	(9,728)	-	(14,067)
Exchange alignment	-	-	87	64	43	-	194
As at 31 December 2019	**49,921**	**67,735**	**34,456**	**27,394**	**46,521**	**135,788**	**361,815**
ACCUMULATED DEPRECIATION							
As at 1 January 2018	-	16,709	6,922	12,992	23,260	-	59,883
Charge for the year	-	1,757	2,970	4,420	8,402	-	17,549
Released upon disposal of a subsidiary	-	-	-	-	(73)	-	(73)
Disposal	-	-	(170)	(485)	(268)	-	(923)
Exchange alignment	-	-	(74)	(52)	(41)	-	(167)
As at 31 December 2018	-	18,466	9,648	16,875	31,280	-	76,269
Effect of IFRS 16	12,573	-	-	-	-	-	12,573
As at 1 January 2019 (restated)	12,573	18,466	9,648	16,875	31,280	-	88,842
Charge for the year	1,157	2,031	953	4,042	5,337	-	13,520
Released upon disposal of subsidiaries	-	-	(780)	(1,997)	(1,823)	-	(4,600)
Disposal	-	-	(90)	(125)	(556)	-	(771)
Written off	-	(215)	(4,124)	-	(9,728)	-	(14,067)
Exchange alignment	-	-	87	64	43	-	194
As at 31 December 2019	**13,730**	**20,282**	**5,694**	**18,859**	**24,553**	**-**	**83,118**
CARRYING AMOUNTS							
As at 31 December 2019	**36,191**	**47,453**	**28,762**	**8,535**	**21,968**	**135,788**	**278,697**
As at 31 December 2018	-	50,784	44,735	12,359	25,638	133,413	266,929

During the year ended 31 December 2019, the Group agreed with the grantors on certain wastewater treatment plants which were under construction and confirmed the relevant plant and machinery with carrying amount of approximately RMB15,382,000 (2018: Nil) would transfer to the grantors upon end of the arrangements.

As at 31 December 2019, the Group has pledged land use right, land and buildings and buildings under construction in progress with carrying amount of approximately RMB36,191,000, RMB24,996,000 and RMB109,897,000 (2018: Nil, RMB25,315,000 and RMB109,897,000) respectively to secure banking facilities granted to the Group (Note 32).

The net carrying amounts of the Group's property, plant and equipment held under finance leases included in the total amounts of land and buildings and plant and machinery as at 31 December 2018 were approximately RMB18,846,000 and RMB21,491,000 respectively (Note 31).

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Right-of-use Asset (included in property, plant and equipment)

	Land use right RMB'000	Land and building RMB'000	Machinery RMB'000	Total RMB'000
COST				
As at 1 January 2019 (restated)	49,921	20,924	23,321	94,166
Transfer to service concession receivable	-	(1,028)	(3,730)	(4,758)
Disposal of subsidiary	-	-	(1,107)	(1,107)
At 31 December 2019	**49,921**	**19,896**	**18,484**	**88,301**
ACCUMULATED DEPRECIATION				
As at 1 January 2019 (restated)	12,573	1,372	1,830	15,775
Charge for the year	1,157	955	471	2,583
Release upon disposal of a subsidiary	-	-	(86)	(86)
As at 31 December 2019	**13,730**	**2,327**	**2,215**	**18,272**
CARRYING AMOUNTS				
As at 31 December 2019	**36,191**	**17,569**	**16,269**	**70,029**

Sale and leaseback transactions - seller-lessee

To better manage the Group's capital structure and financing needs, the Group sometimes enters into sale and leaseback arrangements in relation to property and machinery leases. These legal transfer does not satisfy the requirements of IFRS 15 to be accounted for as a sale of the property and machinery. As at 31 December 2019, the Group has included in property, plant and equipment with carrying amount of approximately RMB33,471,000 were held under such sale and leaseback arrangement. During the year ended 31 December 2019, the Group has not raised any new borrowings in respect of such sale and leaseback arrangements for property, plant and equipment.

Details of the lease maturity analysis of lease liabilities are set out in Notes 31(a) and 37b.

18. INTANGIBLE ASSETS

	Operating concessions RMB'000
COST	
As at 1 January 2018 and 31 December 2018	954,069
Addition	1,707
As at 31 December 2019	**955,776**
ACCUMULATED AMORTISATION AND IMPAIRMENT	
As at 1 January 2018	152,310
Amortisation for the year	21,665
As at 31 December 2018	173,975
Amortisation for the year	39,546
As at 31 December 2019	**213,521**
CARRYING AMOUNTS	
As at 31 December 2019	**742,255**
As at 31 December 2018	780,094

Operating concessions represent the rights to operate sewage and water treatment plants, details of which are disclosed in Note 22 to the consolidated financial statements. The operating concession intangible assets are stated at cost less accumulated amortisation and any accumulated impairment losses. As at 31 December 2019, the Group has 11 (2018: 11) operating concessions in progress, among which 9 (2018: 9) operating concessions where construction of the plants were already completed and hence the projects were in the operation stage as at 31 December 2019. As at 31 December 2019, an operating concession with carrying amount of approximately RMB39,640,000 (2018: RMB38,456,000) was under construction and subsequently commenced use in 2020. As at 31 December 2019, the construction of an operating concession with carrying amount of approximately RMB93,450,000 (2018: RMB93,450,000) was suspended due to lack of funds. There was no schedule of the resumption of the construction and the expected date of completion.

Amortisation is provided on straight-line basis over the respective periods of the operating concessions granted to the Group of 17 to 29 (2018: 17 to 29) years. Details of these operating concessions are set out in Note 22.

The operating concessions will be tested for impairment whenever there is an indication that it may be impaired.

As at 31 December 2019, the directors of the Company considered that there is no impairment indicator on the operating concession and therefore no test for impairment was performed.

18. INTANGIBLE ASSETS (CONTINUED)

As at 31 December 2018, the directors of the Company have assessed the recoverable amount of intangible assets by reference to valuation report issued by Peak Vision Appraisals Limited, a firm of independent qualified professional valuers, which valued the operating concessions using the value-in-use calculation. The key assumptions for the value-in-use calculations are those regarding the discount rates and expected treatment charges based on the volume of water or wastewater treated and costs related to the operations of the wastewater treatment and recycling water plants during the forecasted period. The discount rates used were pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the intangible assets. Forecasted treatment charges based on the volume of water or wastewater treated and costs related to the operations of the wastewater treatment and recycling water plants are estimated based on past practices and expectations of future changes in the market. Based on the results of these impairment assessments, the Group determined that there was no impairment of the operating concession intangible assets of the Group as at 31 December 2018.

As at 31 December 2019, the Group has pledged operating concessions with carrying amount of approximately RMB284,624,000 (2018: RMB166,261,000) to secure banking facilities granted to the Group (Note 32).

The net carrying amounts of the Group's operating concessions whose underlying assets are right-of-use assets as at 31 December 2019 was approximately RMB205,800,000 (2018: held under finance leases of RMB210,129,000) (Note 31).

Right-of-use Asset (included in intangible assets)

	Operating concessions RMB'000
COST	
As at 1 January 2019 and 31 December 2019	218,629
ACCUMULATED AMORTISATION	
As at 1 January 2019	8,500
Amortisation for the year	4,329
As at 31 December 2019	**12,829**
CARRYING AMOUNT	
As at 31 December 2019	**205,800**

Sale and leaseback transactions - seller-lessee

To better manage the Group's capital structure and financing needs, the Group sometimes enters into sale and leaseback arrangements in relation to plant and machinery leases. These legal transfer does not satisfy the requirements of IFRS 15 to be accounted for as a sale of the plant and machinery. As at 31 December 2019, the Group has underlying assets included in intangible assets with carrying amount of approximately RMB205,800,000 were held under such sale and leaseback arrangement. During the year ended 31 December 2019, the Group has not raised any new borrowings in respect of such sale and leaseback arrangements for operating concessions classified as intangible assets.

Details of the lease maturity analysis of lease liabilities are set out in Notes 31(a) and 37b.

19. LAND USE RIGHTS

	RMB'000
COST	
As at 1 January 2018 and 31 December 2018	49,921
ACCUMULATED AMORTISATION	
As at 1 January 2018	11,416
Charge for the year	1,157
As at 31 December 2018	12,573
CARRYING AMOUNTS	
As at 31 December 2018	37,348

	2018 RMB'000
Analysed for reporting purpose as:	
- Current asset	1,157
- Non-current asset	36,191
	37,348

As at 31 December 2018, the amount represents the prepayment of rentals for land use rights situated in the PRC. The leasehold land has lease terms ranging from 39 to 47 years.

As at 31 December 2018, the Group has pledged land use rights with carrying amount of approximately RMB1,886,000 to secure banking facilities granted to the Group.

Upon application of IFRS 16 on 1 January 2019, the current and non-current portion of land use rights were reclassified to right-of-use assets (Note 17).

20. GOODWILL

	RMB'000
COST	
As at 1 January 2018, 31 December 2018 and 31 December 2019	41,395
ACCUMULATED IMPAIRMENT	
As at 1 January 2018, 31 December 2018 and 31 December 2019	41,395
NET BOOK VALUE	
As at 31 December 2019 and 31 December 2018	**-**

Goodwill has been allocated to the cash-generating unit of Hi-Standard Equipment in manufacturing and sales of wastewater treatment equipment business, which comprised the Equipment Fabrications operating segment.

The carrying amount of goodwill was impaired during the year ended 31 December 2016.

21. INTERESTS IN ASSOCIATES

	2019	2018
	RMB'000	RMB'000
Unlisted shares, at cost	**193,305**	98,750
Less: Allowance for impairment	**(193,305)**	(98,750)
	-	-

21. INTERESTS IN ASSOCIATES (CONTINUED)

The following set out the particulars of the principal associates of the Group as at 31 December 2019 and 2018:

Name	Place of incorporation/ establishment	Class of share held	Attribution equity interest held by the Group		Principal activities
			2019	2018	
Fuzhou City Cangshan Zhongyu Sangcheng Water Environment Technology Co., Ltd 福州市倉山中閩桑誠水環境技術有限公司	The PRC	Ordinary shares	**30%**	30%	Construction, management and operation of the municipal water projects
Fuzhou City Jinan Zhongyu Sancheng Water Environment Technology Co., Ltd 福州市晉安中閩桑誠水環境技術有限公司	The PRC	Ordinary shares	**30%**	30%	Construction, management and operation of the municipal water projects
Liyang Zhongjian Sound Environment Management Co., Ltd 溧陽中建桑德環境治理有限公司	The PRC	Ordinary shares	**36%**	36%	Construction, management and operation of the municipal water projects
Chongqing Yulong Environmental Protection Co., Ltd 重慶渝隆環保有限公司	The PRC	Ordinary shares	**-**	15%	Construction, management and operation of the municipal water projects

During the year ended 31 December 2017, the Group was involved in the formation of two companies namely Fuzhou City Cangshan Zhongyu Sangcheng Water Environment Technology Co., Ltd (福州市倉山中閩桑誠水環境技術有限公司) and Fuzhou City Jinan Zhongyu Sangcheng Water Environment Technology Co., Ltd (福州市晉安中閩桑誠水環境技術有限公司) (collectively referred to as the "**Fuzhou Entities**") and it contributed share capital of RMB30,000,000 each, representing 30% of the registered share capital of each of the associates companies.

During the year ended 31 December 2018, the Group was involved in the formation of two companies namely Liyang Zhongjian Sound Environment Management Co., Ltd (溧陽中建桑德環境治理有限公司) ("**Liyang Zhongjian Sound**") and Chongqing Yulong Environmental Protection Co., Ltd (重慶渝隆環保有限公司) ("**Chongqing Yulong**") and contributed share capital of RMB38,000,000 and RMB750,000 respectively, representing 36% and 15% of the registered share capital of Liyang Zhongjian Sound and Chongqing Yulong respectively.

21. INTERESTS IN ASSOCIATES (CONTINUED)

During the year ended 31 December 2019, the Group provided capital contributions to Liyang Zhongjian Sound based on its percentage of equity interests in this associate and the contributed share capital amount was approximately RMB95,305,000.

During the year ended 31 December 2019, the Group disposed the 15% of the entire equity interest in Chongqing Yulong at cash consideration of RMB738,000.

Despite the fact that the registration of shareholder of the registered capital of the Fuzhou Entities, Liyang Zhongjian Sound and Chongqing Yulong under the name of a subsidiary of the Company in the SAMR, the Group have been unable to gain access to the statutory records and the books and records, or financial information of the Fuzhou Entities, Liyang Zhongjian Sound and Chongqing Yulong subsequent to the registration of the Fuzhou Entities, Liyang Zhongjian Sound and Chongqing Yulong respectively. The existing management of the Fuzhou Entities, Liyang Zhongjian Sound and Chongqing Yulong did not respond to the Group's requests and did not cooperate with the Group. The negotiation with the existing management of the Fuzhou Entities, Liyang Zhongjian Sound and Chongqing Yulong for assessing statutory records and the books and records of the Fuzhou Entities, Liyang Zhongjian Sound and Chongqing Yulong was still in progress up to the date of approval of these consolidated financial statements.

Given these circumstances, the Group was unable to determine whether the Group has control, joint control or significant influence in the Fuzhou Entities, Liyang Zhongjian Sound and Chongqing Yulong or neither of the above. Nevertheless, for the purposes of the preparation of the consolidated financial statements, the Group has classified these entities as associates of the Group. Further, the Group was unable to account for, and hence have not accounted for, the financial statements or accounts of the Fuzhou Entities, Liyang Zhongjian Sound and Chongqing Yulong into the consolidated financial statements of the Group with effect from the date of the registration of the Fuzhou Entities, Liyang Zhongjian Sound and Chongqing Yulong.

Because of the insufficient information of the Fuzhou Entities, Liyang Zhongjian Sound and Chongqing Yulong, the information about the nature and financial information of the Fuzhou Entities, Liyang Zhongjian Sound and Chongqing Yulong which is required to be disclosed by IFRS 12 "Disclosure of Interests in Other Entities" or IFRS 7 "Financial Instruments: Disclosures", as appropriate, have not been disclosed in the consolidated financial statements of the Group for the years ended 31 December 2019 and 2018. Furthermore, the directors of the Company consider the registration of the Fuzhou Entities, Liyang Zhongjian Sound and Chongqing Yulong did not result in any non-compliance with the Listing Rules, including the disclosure requirements and the shareholders' approval requirements under Chapter 14 and Chapter 14A under the Listing Rules and related party transaction in accordance with IAS 24.

The Group was unable to assess the recoverability of the investments and therefore has provided impairment loss of approximately RMB95,305,000 in Liyang Zhongjian Sound (2018: RMB38,000,000 and RMB750,000 in Liyang Zhongjian Sound and Chongqing Yulong respectively) during the year ended 31 December 2019. Full impairment loss of approximately RMB60,000,000 was provide in the Fuzhou Entities during the year ended 31 December 2017.

22. SERVICE CONCESSION RECEIVABLES

	2019 RMB'000	2018 RMB'000
Service concession receivables	**11,340,573**	10,938,736
Less: Amounts due within one year shown under current assets (Note 25)	**(595,630)**	(843,847)
Service concession receivables due after one year	**10,744,943**	10,094,889

Service concession receivables arose from the service concession contracts to build and operate water supply, wastewater treatment and recycling water plants. The Group is the operator under certain build-operate-transfer ("**BOT**") arrangements. As explained in the accounting policy for "Service concession arrangements" set out in Note 4, consideration given by the grantor for a service concession arrangement may comprise of, and is accounted for as, an intangible asset (operating concessions) or a financial asset (service concession receivables) or a combination of both, as appropriate. The intangible asset component is detailed in Note 18, and the financial asset component is as above.

As at 31 December 2019, the Group has 124 (2018: 132) BOT projects in progress, among which 81 (2018: 74) BOT projects were related to projects where construction of the plants were already completed and hence the projects were in the operation stage as at 31 December 2019. Those arrangements entitle the Group to concession rights for periods ranging from 19 to 30 years with minimum guaranteed tonnage and tariff per ton as defined in the agreements. During the year ended 31 December 2019, the Group recognised construction revenue of approximately RMB600,332,000 (2018: RMB854,379,000) and construction profit of RMB228,279,000 (2018: RMB302,671,000) in connection with BOT projects under construction and classfied as service concession receivables.

The expected collection schedule of receivables under service concession arrangements is as follows:

	2019 RMB'000	2018 RMB'000
Within 1 year	**595,630**	843,847
1 to 2 years	**625,451**	1,021,589
2 to 5 years	**1,790,285**	1,885,759
Over 5 years	**8,329,207**	7,187,541
	11,340,573	10,938,736

During the year ended 31 December 2019, the Group recognised impairment loss in consolidated profit or loss of approximately RMB467,549,000 (2018: RMB1,107,433,000) on services concessions receivables in the consolidated statement of profit or loss to write down the carrying amounts of 63 (2018: 31) operating concessions rights held by the Group to operate sewage and water treatment plants as at 31 December 2019 as the management of the Group was of the opinion that the carrying amounts of these operating concession rights as at 31 December 2019 were irrecoverable. The aggregate net carrying amount of the service concession receivables for the relevant projects as at 31 December 2019 was approximately RMB6,457,194,000 (2018: RMB2,832,817,000).

22. SERVICE CONCESSION RECEIVABLES (CONTINUED)

An impairment analysis on remaining service concession receivables is performed at each reporting date using the probability of default approach to measure ECL. The probabilities of default rates are estimated based on comparable companies with published credit ratings. The calculation reflects the probability weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forward-looking credit risk information. As at 31 December 2019, the probability of default applied of 0.11% (2018: 0.11% to 1.5%) and the loss given default was estimated to be 27%% (2018: 28%). The loss allowance for impairment of service concession receivables of approximately RMB1,270,000 (2018: RMB760,000 was recognised) was reversed during the year ended 31 December 2019.

As at 31 December 2019, certain BOT projects' charging rights under the service concession contracts of the Group with an aggregate carrying amount of approximately RMB6,896,911,000 (2018: RMB4,921,730,000) were pledged to secure certain bank borrowings granted to the Group (Note 32).

The net carrying amounts of the Group's service concession receivables whose underlying assets are right-of-use assets as at 31 December 2019 was approximately RMB1,070,766,000 (2018: held under finance leases RMB2,096,215,000) (Note 31).

Sale and leaseback transactions - seller-lessee

To better manage the Group's capital structure and financing needs, the Group sometimes enters into sale and leaseback arrangements in relation to plant and machinery leases. These legal transfer does not satisfy the requirements of IFRS 15 to be accounted for as a sale of the plant and machinery. As at 31 December 2019, the Group has underlying assets included in services concession receivables with carrying amount of approximately RMB1,070,766,000 were held under such sale and leaseback arrangement. During the year ended 31 December 2019, the Group has raised approximately RMB173,945,000 borrowings in respect of such sale and leaseback arrangements.

Details of the lease maturity analysis of lease liabilities are set out in Notes 31(a) and 37b.

23. DEFERRED TAXATION

The deferred tax assets/(liabilities) recognised by the Group, and the movements thereon are as follows:

	Allowance for doubtful debts	Undistributed profits of the PRC subsidiaries	Fair value adjustment arising from acquisitions of subsidiaries	Service concession receivables	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2018	8,696	(63,625)	(19,170)	(314,428)	173	(388,354)
(Charge)/credit to profit or loss	-	-	96	(120,318)	-	(120,222)
As at 31 December 2018	8,696	(63,625)	(19,074)	(434,746)	173	(508,576)
Disposal of subsidiaries (Note 34(c))	-	-	-	78,306	-	78,306
(Charge)/credit to profit or loss	(8,696)	-	96	(97,522)	(173)	(106,295)
As at 31 December 2019	**-**	**(63,625)**	**(18,978)**	**(453,962)**	**-**	**(536,565)**

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2019	2018
	RMB'000	RMB'000
Deferred tax assets	**-**	8,869
Deferred tax liabilities	**(536,565)**	(517,445)
	(536,565)	(508,576)

As at 31 December 2019, the Group has unused tax losses of approximately RMB1,061,464,000 (2018: RMB923,013,000) available for offset against future profits. No deferred tax asset has been recognised in respect of those tax losses due to the unpredictability of future profit streams. The tax losses of approximately RMB399,819,000 (2018: RMB429,913,000) as at 31 December 2019 has no expiry date and the remainder will be expired as follows:

	2019	2018
	RMB'000	RMB'000
2019	**-**	3,272
2020	**8,077**	8,077
2021	**20,212**	22,676
2022	**48,823**	54,927
2023	**386,515**	404,148
2024	**198,018**	-
	661,645	493,100

23. DEFERRED TAXATION (CONTINUED)

Under the EIT Law, withholding tax is imposed at 5% to 10% on dividends declared to foreign investors in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Accordingly, deferred taxation has been provided for in the consolidated financial statements in respect of profits of relevant PRC subsidiaries to be distributed estimated by the directors of the Company. Meanwhile, the undistributed profits of the PRC subsidiaries of approximately RMB68,848,000 (2018: RMB2,604,487,000) which were earned after 1 January 2008, have not been recognised at 31 December 2019, 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.

24. INVENTORIES

	2019	2018
	RMB'000	RMB'000
Raw materials	**39,931**	41,686
Work in progress	**511,810**	400,778
Finished goods	**21,965**	7,394
	573,706	449,858

25. TRADE AND OTHER RECEIVABLES

The following is an analysis of trade and other receivables at the end of the reporting period:

	2019 RMB'000	2018 RMB'000
Trade receivables	**3,148,604**	3,394,807
Allowance for ECL on trade receivables	**(1,105,213)**	(208,706)
	2,043,391	3,186,101
Other receivables:		
Bills receivable	**99**	3,983
Advance payments to suppliers and subcontractors	**2,161,966**	2,398,981
Bid and compliance deposits	**80,501**	73,487
Deposits for lease liabilities/obligations under finance leases	**14,546**	23,295
Service concession receivables (Note 22)	**595,630**	843,847
Others (note)	**1,392,521**	1,405,889
	4,245,263	4,749,482
Total	**6,288,654**	7,935,583

note:

As at 31 December 2019, the balance mainly included (i) structured deposits of Nil (2018: RMB500,000,000 carrying expected rates of return of 4.60% per annum, with maturity periods of 12 months. The structured deposits could be redeemed any time prior to maturity at principal amounts plus interests accrued up to the date of redemption purchased from a commercial bank in the PRC); (ii) the aggregate amounts of the instalment of secured bonds and bond interest payables of approximately RMB161,029,000 (2018: RMB122,265,000) withheld by the bonds manager; (iii) payments to third parties of approximately RMB491,797,000 (2018: RMB286,676,000); (iv) amounts due from Sound Group and its subsidiaries of approximately RMB133,057,000 (2018: RMB755,000) which are unsecured, interest free and repayable on demand; (v) amount due from a non-controlling interest of RMB31,015,000 (2018: RMB30,015,000) which is unsecured, interest free and repayable on demand; (vi) amount receivables from the Zhongye Zhengyi Group with gross carrying amount of approximately RMB44,100,000 (2018: RMB43,138,000) which was fully impaired as at 31 December 2019; (vii) consideration receivables from the disposal of subsidiaries of approximately RMB239,350,000 (2018: Nil); (viii) amount due from Tianjin Sound Water Co., Ltd of approximately RMB825,000 (2018: Nil); and (ix) petty cash advanced to staff of approximately RMB36,099,000 (2018: RMB43,307,000).

25. TRADE AND OTHER RECEIVABLES (CONTINUED)

The following is an aged analysis of trade and bills receivables net of allowance for ECL on trade receivables presented, based on the billing date of construction service or delivery of goods, as appropriate.

	2019	2018
	RMB'000	RMB'000
Trade receivables:		
Within 90 days	**205,628**	436,834
91 to 180 days	**121,740**	734,783
181 days to 1 year	**379,623**	440,911
1 to 2 years	**534,932**	1,187,288
2 to 3 years	**450,067**	113,449
More than 3 years	**351,401**	272,836
	2,043,391	3,186,101
Bills receivable:		
Within 180 days	**99**	3,983

The following is an aged analysis of trade receivables net of allowance for ECL on trade receivables presented, based on the revenue recognition date.

	2019	2018
	RMB'000	RMB'000
Trade receivables:		
Within 90 days	**141,255**	372,461
91 to 180 days	**167,239**	780,283
181 days to 1 year	**218,479**	278,960
1 to 2 years	**714,950**	1,356,114
2 to 3 years	**450,067**	114,255
More than 3 years	**351,401**	284,028
	2,043,391	3,186,101

The Group has a policy of granting trade customers with credit of generally within 180 (2018: 180) days. In respect of construction projects, billings and settlements are made in accordance with the terms specified in the contracts governing the relevant transactions and retention monies are billed after the end of the retention period specified in the contracts. Overdue balances are reviewed regularly by the Group's management.

25. TRADE AND OTHER RECEIVABLES (CONTINUED)

Aging of trade receivables, based on the billing date of construction service or delivery of goods, past due but not impaired:

	2019	2018
	RMB'000	RMB'000
181 days to 1 year	**129,529**	244,185
1 to 2 years	**453,132**	747,160
2 to 3 years	**411,656**	113,317
More than 3 years	**292,604**	222,417
	1,286,921	1,327,079

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of trade receivables from the date credit was initially granted up to the end of the reporting period. The above allowance was mainly provided for based on estimated irrecoverable amounts arising from construction contracts, determined by reference to past default experience. The Group reviews the recoverable amount of each individually significant debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

An impairment analysis on trade receivables is performed at each reporting date using the probability of default approach to measure ECL. The probabilities of default rates are estimated based on comparable companies with published credit ratings. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forward-looking credit risk information. As at 31 December 2019, the probability of default applied ranged from 0.11% to 100% (2018: 0.11% to 100%) and the loss given default was estimated to be 27% (2018: 28%).

25. TRADE AND OTHER RECEIVABLES (CONTINUED)

Set out below is the information about the allowance for ECL in relation to the credit risk exposure of the Group's trade receivables:

	12m ECL RMB'000	Lifetime ECL not credit-impaired RMB'000	Lifetime ECL credit-impaired RMB'000	Total RMB'000
As at 1 January 2018	4,332	199,594	-	203,926
Movement during the year	62,255	(57,475)	-	4,780
As at 31 December 2018	66,587	142,119	-	208,706
Movement during the year	(1,021)	116,136	781,392	896,507
As at 31 December 2019	**65,566**	**258,255**	**781,392**	**1,105,213**

As at 31 December 2019, trade receivables with carrying amount of approximately RMB116,755,000 (2018: RMB159,649,000) have been pledged as collateral for the lease liabilities/obligations under finance lease (Note 31).

An impairment analysis on other receivables is performed at each reporting date using the probability of default approach to measure ECL. The probabilities of default rates are estimated based on comparable companies with published credit ratings. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forward-looking credit risk information. As at 31 December 2019, the probability of default applied ranged from 0.11% to 1.5% (2018: 0.11% to 1.5%) and the loss given default was estimated to be 27% (2018: 28%). The allowance for ECL on other receivables of approximately RMB1,115,252,000 (2018: RMB9,316,000) was recognised during the year ended 31 December 2019.

As of the date of approval of these consolidated financial statements, (i) trade receivables with gross carrying amounts as at 31 December 2019 of approximately RMB728,504,000, RMB586,013,000 and RMB1,813,087,000 which were recognised by the Group on or before 31 December 2017 and during the years ended 31 December 2018 and 2019 respectively were still outstanding and remained unsettled; and (ii) other receivables with gross carrying amounts as at 31 December 2019 of approximately RMB229,639,000, RMB2,153,056,000 and RMB1,852,479,000 which were recognised by the Group on or before 31 December 2017 and during the years ended 31 December 2018 and 2019 respectively were still outstanding and remained unsettled.

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER PROFIT AND LOSS

	2019 RMB'000	2018 RMB'000
Unlisted equity investments in the PRC	**2,519**	-

27. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	2019 RMB'000	2018 RMB'000
Contract costs incurred plus recognised profits less recognised losses to date	**5,178,278**	7,609,360
Less: Progress billings	**(3,055,526)**	(5,552,749)
	2,122,752	2,056,611
Contract work in progress at the end of the reporting period:		
Amounts due from customers for contract work	**2,192,403**	2,056,798
Amounts due to customers for contract work	**(69,651)**	(187)
	2,122,752	2,056,611

The amounts due from/(to) customers for contract work are contract assets primarily relate to the Group's right to construction contracts completed and not billed because the rights are conditioned on the Group's future performance. The amounts are transferred to trade receivables when the rights become unconditional.

The Group's construction contracts include payment schedules which require stage payments over the construction period once certain specified milestones are reached.

The Group also typically agrees to a retention period ranging from 2 to 5 years. As at 31 December 2019, retentions held by customers for contract works amounted to approximately RMB1,794,000 (2018: RMB198,749,000). This amount is included in amounts due from customers for contract works until the end of the retention period as the Group's entitlement to this final payment is unconditional.

The Group classifies these amounts due from customers for contract works as current because the Group expects to realise them in its normal operating cycle.

The increase in amounts due from customers for contract works as at 31 December 2019 was the result of the ongoing provision of construction services arrangements during the year.

As at 31 December 2019, amounts due from customers for contract work with carrying amount of Nil (2018: approximately RMB214,058,000) have been pledged as collateral for the lease liabilities/obligations under finance lease (Note 31).

An impairment analysis is performed at each reporting date using the probability of default approach to measure ECL. The probabilities of default rates are estimated based on comparable companies with published credit ratings. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forward-looking credit risk information. As at 31 December 2019, the probability of default applied ranged from 0.11% to 1.5% (2018: 0.11% to 1.5%) and the loss given default was estimated to be 27% (2018: 28%).

27. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK (CONTINUED)

Set out below is the information about the credit risk exposure of the Group's amounts due from customers for contract work:

	12m ECL RMB'000	Lifetime ECL not credit-impaired RMB'000	Lifetime ECL credit-impaired RMB'000	Total RMB'000
As at 1 January 2018	2,067	-	-	2,067
Movement during the year	(1,012)	-	-	(1,012)
As at 31 December 2018	1,055	-	-	1,055
Movement during the year	4,620	-	81,661	86,281
As at 31 December 2019	**5,675**	**-**	**81,661**	**87,336**

As of the date of approval of these consolidated financial statements, amounts due from customers for contract work with gross carrying amounts as at 31 December 2019 of approximately RMB1,063,204,000, RMB206,912,000 and RMB1,009,622,000 which were recognised by the Group on or before 31 December 2017 and during the years ended 31 December 2018 and 2019 respectively were still outstanding and no progress billings had been issued.

28. BANK BALANCES AND CASH

Bank balances and cash comprise cash with an original maturity of three months or less which are held with banks and carry interest at prevailing market rates, which ranged from 0.0001% to 0.385% (2018: 0.0001% to 0.385%) per annum as at 31 December 2019.

Bank balances and cash were mainly denominated in RMB, which is not a fully convertible currency in the international market. The exchange rate of RMB is determined by the Government of the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

Bank balances and cash that are denominated in currency other than the functional currency are set out below:

	2019 **RMB'000**	2018 RMB'000
Hong Kong Dollar ("**HK$**")	**39**	41,841
Singapore Dollar ("**S$**")	**1,310**	11,193
United States Dollar ("**US$**")	**11,697**	12,080

28. BANK BALANCES AND CASH (CONTINUED)

Restricted bank balances

Restricted bank balances are analysed based on the facilities or agreements that gave rise to the restrictions, as follows:

	2019	2018
	RMB'000	RMB'000
Bills payables and banking facilities	**28,450**	188,460
Borrowings	**-**	25,998
Construction contracts	**-**	1,700
	28,450	216,158

The restricted bank balances bear interests at prevailing interest rates, which ranged from 0.30% to 1.75% (2018: 0.30% to 1.75%) per annum at 31 December 2019. The restricted bank balances of approximately RMB28,450,000 (2018: RMB190,160,000) will be released upon the completion of relevant contracts or maturity and settlement of related liabilities which are due within current operating cycle or within one year and are therefore classified as current assets. The remaining restricted bank balances of Nil (2018: approximately RMB25,998,000) have been pledged to secure long-term borrowings and are therefore classified as non-current assets.

29. TRADE AND OTHER PAYABLES

The credit terms of trade payables vary according to the terms agreed with different suppliers. The following is an aged analysis of trade payables based on invoice issuance date at the end of each reporting period:

	2019	2018
	RMB'000	RMB'000
Trade payables:		
Within 90 days	476,837	1,128,659
91 days to 180 days	341,514	204,641
181 days to 1 year	1,079,733	1,308,907
1 to 2 years	1,195,225	1,012,414
2 to 3 years	595,913	261,730
More than 3 years	290,835	145,560
	3,980,057	4,061,911
Other payables:		
Bills payable within 180 days	25,000	250,000
Advances from customers	144,492	394,672
Bid and compliance deposits	95,488	119,570
Interest payables	260,373	277,213
Other tax payables	73,711	100,187
Others (note)	3,186,915	506,243
	7,766,036	5,709,796

Trade payables principally comprise amounts outstanding for trade purchases and on-going costs.

The average credit period on purchases of goods is 90 (2018: 90) days.

note:

As at 31 December 2019, the balance mainly included (i) amount due to Sound Water of approximately RMB4,897,000 (2018: RMB4,833,000) which is unsecured, interest free and repayable on demand; (ii) amounts due to non-controlling interests of approximately RMB40,378,000 (2018: RMB43,386,000) which are unsecured, interest free and repayable on demand; (iii) considerations for the acquisitions of subsidiaries of approximately RMB62,295,000 (2018: RMB59,105,000); (iv) accrued salaries and staff benefits of approximately RMB76,557,000 (2018: RMB69,476,000); (v) consideration for the acquisition of a service concession agreement project of approximately RMB78,169,000 (2018: RMB78,169,000); (vi) amounts due to third parties of approximately RMB604,027,000 (2018: RMB101,763,000); (vii) receipt in advance for disposal of partial interests of subsidiaries of approximately RMB179,259,000 (2018: RMB179,259,000); and (viii) amounts due to Tianjin Sound Engineering and Tianjin Sound Water of approximately RMB1,386,581,000 (2018: Nil).

30. BORROWINGS

	2019 RMB'000	2018 RMB'000
Secured bank borrowings (note i)	**4,460,511**	4,721,339
Unsecured bank borrowings	**1,123,844**	1,445,340
Secured other borrowings (note ii)	**1,052,246**	1,341,850
Unsecured other borrowings	**29,200**	100,000
Secured bonds (note iii)	**693,915**	737,600
Unsecured bonds (note iv)	**1,500,000**	1,500,000
	8,859,716	9,846,129
Carrying amount repayable with a period of (note vi):		
Within one year	**2,899,365**	5,399,265
More than one year but not exceeding two years	**2,025,326**	1,051,298
More than two years but not exceeding five years	**1,389,289**	1,987,109
More than five years	**2,545,736**	1,408,457
Total borrowings	**8,859,716**	9,846,129
Less: Amounts due within one year	**(2,899,365)**	(5,399,265)
Amounts shown under non-current liabilities	**5,960,351**	4,446,864

The borrowings comprise:

	2019 RMB'000	2018 RMB'000
Fixed-rate borrowings	**5,278,836**	5,392,827
Variable-rate borrowings (note v)	**3,580,880**	4,453,302
	8,859,716	9,846,129

The effective interest rates per annum at the end of each reporting period, are as follows:

	2019	2018
Fixed-rate borrowings	**1.20%~24.00%**	4.35% ~ 24.00%
Variable-rate borrowings	**4.35%~11.25%**	4.35% ~ 9.75%

30. BORROWINGS (CONTINUED)

notes:

(i) As at 31 December 2019, bank borrowings of approximately RMB432,000,000 (2018: RMB112,000,000) were mortgaged and secured by certain buildings, land use rights and buildings under construction in progress of the Group. Bank borrowings of approximately RMB4,028,511,000 (2018: RMB4,609,339,000) were secured by certain BOT subsidiaries' charging rights under the service concession contracts.

(ii) As at 31 December 2019, other borrowings of (a) approximately RMB948,526,000 were secured by equity interests of certain subsidiaries; and (b) approximately RMB103,720,000 were secured by certain subsidiaries' charging rights under the service concession contracts. At 31 December 2018, other borrowings of (a) approximately RMB1,111,850,000 were secured by equity interests of certain subsidiaries; and (b) approximately RMB230,000,000 were secured by trade receivables of approximately RMB2,389,453,000.

(iii) As at 31 December 2019, bonds of approximately RMB693,915,000 (2018: RMB737,600,000) were issued by Beijing Jingyushun Environment Co., Ltd (北京京禹順環保有限公司) ("**Jingyushun**"), an indirect-wholly owned subsidiary of the Company, which were secured by Jingyushun's charging rights over the service concession contract. The bonds will mature in 2027 and the annual interest rate was 6.50%.

(iv) During the year ended 31 December 2017, Beijing Sound issued an unsecured bond with principal amount of RMB500,000,000 repayable in March 2020 and bearing interest rate at 6.5% per annum. In March 2020, the bond with principal amount of RMB400,000,000 was replaced by issuance of another new bond repayable in March 2021 and bearing interest rate at 7.0% per annum. The bonds with principal amounts of RMB100,000,000 and RMB400,000,000 matured in March 2020 and March 2021 respectively are remained unsettled up to the date of approval of the consolidated financial statements and the negotiation with the underwriters for the repayment of the bond is still in progress.

During the year ended 31 December 2018, Beijing Sound issued an unsecured bond with principal amount of RMB500,000,000 repaid at maturity in April 2019 and bearing interest rate at 8.3% per annum.

During the year ended 31 December 2018, Beijing Sound issued an unsecured bond with principal amount of RMB500,000,000 repayable in October 2021 and bearing interest rate at 7.5% per annum. The bond is remained unsettled up to the date of approval of the consolidated financial statements and the negotiation with the underwriters for the repayment of the bond is still in progress.

During the year ended 31 December 2019, Beijing Sound issued unsecured bond with principal amount of RMB500,000,000 repayable in February 2020 and bearing interest rate at 6.5% per annum. In February 2020, the bond was extended to November 2020 and bearing interest rate at 7.0% per annum. The bond is remained unsettled up to the date of approval of the consolidated financial statements and the negotiation with the underwriters for the repayment of the bond is still in progress.

(v) The interest rates of variable-rate bank borrowings of the Group of approximately RMB3,580,880,000 (2018: RMB4,453,302,000) were varied according to the loan interest rates published by the People's Bank of China ("**PBOC**").

(vi) The amounts due are based on scheduled repayment dates set out in the loan agreements.

(vii) As at 31 December 2019 and 2018, all borrowings are denominated in RMB, the functional currency of the entities of the Group which borrowed the monies.

(viii) The borrowings as at 31 December 2019 will be repayable from 2020 to 2041 (2018: 2019 to 2041).

31. LEASE LIABILITIES/OBLIGATIONS UNDER FINANCE LEASE

(a) As at 31 December 2019, the Group had lease liabilities repayable as follows:

	Minimum lease payments 2019 RMB'000	Present value of minimum lease payments 2019 RMB'000
Within one year	**382,168**	**332,909**
In more than one year and not more than five years	**614,059**	**525,890**
In more than five years	**121,311**	**118,824**
	1,117,538	**977,623**
Less: future finance charges	**(139,915)**	**-**
Present value of lease obligations	**977,623**	**977,623**
Less: Amount due for settlement within one year (shown under current liabilities)		**(332,909)**
Amount due for settlement after one year		**644,714**

Lease liabilities are mainly denominated in RMB.

As at 31 December 2019, the Group's lease liabilities with carrying amount of approximately RMB608,771,000 are secured by the lessors' charging rights and trade receivables on the service concession arrangements.

31. LEASE LIABILITIES/OBLIGATIONS UNDER FINANCE LEASE (CONTINUED)

(b) As at 31 December 2018, the Group leased certain of the property, plant and equipment (Note 17) and the underlying plant and machineries used in its service concession arrangements under finance lease (Notes 18 and 22). The lease term is 3 to 8 years. Interest rates underlying all obligations under finance are fixed at 4.20% to 7.08% per annum. The Group has options to purchase the plant and machinery for a nominal amount at the end of the lease term.

	Minimum lease payments 2018 RMB'000	Present value of minimum lease payments 2018 RMB'000
Amounts payable under finance lease:		
Within one year	525,468	409,856
In more than one year and not more than five years	934,539	914,566
In more than five years	13,885	11,570
	1,473,892	1,335,992
Less: future finance charges	(137,900)	-
Present value of lease obligations	1,335,992	1,335,992
Less: Amount due for settlement within one year (shown under current liabilities)		(409,856)
Amount due for settlement after one year		926,136

As at 31 December 2018, the Group's obligations under finance lease with carrying amount of approximately RMB1,153,821,000 are secured by the lessors' charging rights and trade receivables on the service concession arrangements and amounts due from customers for contract work.

32. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure bank and other borrowings, lease liabilities, obligations under finance lease and bonds (Notes 30 and 31) of the Group:

	2019 **RMB'000**	2018 RMB'000
Land use right	**36,191**	1,886
Land and buildings	**24,996**	25,315
Buildings under construction in progress	**109,897**	109,897
Intangible assets – operating concession	**608,820**	166,261
Service concession receivables	**6,896,911**	4,921,730
Trade receivables	**371,885**	2,389,453
	8,048,700	7,614,542

33. ISSUED CAPITAL

	Number of shares	**RMB'000**
Issued and paid up		
At 1 January 2018, 31 December 2018 and 31 December 2019	**1,506,205,421**	**1,720,304**

The Company has one class of ordinary shares with no par value and carries no right to fixed income.

The amount of issued capital represents the net proceeds from allotment of ordinary shares.

34. ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

Acquisitions of subsidiaries

(a) Acquisition of subsidiaries for the year ended 31 December 2019

During the year ended 31 December 2019, the Group acquired the entire equity interests of Jiaxing Sangzi Equity Investment Management Co., Ltd (嘉興桑梓股權投資管理有限公司) ("**Jiaxing Sangzi**"), Longyan Changye Water Co., Ltd (龍岩市長業水務有限公司) ("**Longyan Changye**") and Shanxian Dongxing Construction Engineering Co., Ltd (單縣東興建設工程有限公司) ("**Shanxian Dongxing**") (collectively the "**Target Companies**") for total cash consideration of approximately RMB64,835,000 and the acquisitions were completed on 30 October 2019, 23 May 2019 and 3 March 2019 respectively. Jiaxing Sangzi is mainly engaged in equity investment management in the PRC and Longyan Changye and Shanxian Dongxing are mainly engaged in construction, management and operation of the municipal wastewater projects in the PRC.

As a result of the acquisition, the Group expects to diversify its business to capture the benefits from the trend of BOT in the PRC. No goodwill was arising from the acquisition of the Target Companies.

34. ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES (CONTINUED)

Acquisitions of subsidiaries (continued)

(a) Acquisition of subsidiaries for the year ended 31 December 2019 (continued)

The following table summarises the consideration paid for the acquisition and the amounts of assets acquired and liabilities assumed recognised at the date of acquisition.

	Jiaxing Sangzi RMB'000	Longyan Changye RMB'000	Shanxian Dongxing RMB'000
Recognised amounts of identifiable assets acquired and liabilities:			
Financial assets at fair value through profit or loss	**1,104**	**-**	**-**
Service concession receivables	**-**	**72,787**	**111**
Inventories	**-**	**20**	**-**
Trade and other receivables	**21,300**	**673**	**2,493**
Bank balances and cash	**27**	**34**	**28**
Trade and other payables	**(7,530)**	**(15,763)**	**(2,028)**
Borrowings	**-**	**(5,800)**	**-**
	14,901	**51,951**	**604**
Gain on bargain purchase recognised in other gains (Note 9)	**(1,901)**	**(416)**	**(304)**
Total consideration	**13,000**	**51,535**	**300**
Net cash outflows arising on the acquisition during the year:			
Cash consideration paid during the current year	**(13,000)**	**-**	**(300)**
Cash and cash equivalents acquired	**27**	**34**	**28**
	(12,973)	**34**	**(272)**
Total consideration was settled by:			
Cash consideration paid during the current year	**13,000**	**-**	**300**
Cash consideration paid in prior year	**-**	**35,000**	**-**
Other payables	**-**	**16,535**	**-**
	13,000	**51,535**	**300**

Jiaxing Sangzi

No acquisition-related cost was charged for the year ended 31 December 2019.

During the year ended 31 December 2019, no revenue was contributed by Jiaxing Sangzi to the Group since acquisition. The Group's loss in the consolidated statement of profit or loss for the year ended 31 December 2019 included a loss of approximately RMB11,000 contributed by Jiaxing Sangzi after the date of the acquisition. Had the acquisition been completed on 1 January 2019, the proforma revenue in the Group's consolidated statement of profit or loss would be approximately RMB3,378,845,000 and the proforma loss in the Group's consolidated statement of profit or loss would be approximately RMB1,931,876,000.

34. ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES (CONTINUED)

Acquisitions of subsidiaries (continued)

(a) Acquisition of subsidiaries for the year ended 31 December 2019 (continued)

Longyan Changye

Acquisition-related costs of approximately RMB28,000 were charged to administrative expenses in the consolidated income statement for the year ended 31 December 2019.

During the year ended 31 December 2019, Longyan Changye contributed approximately RMB4,524,000 to the Group's revenue since acquisition. The Group's loss in the consolidated statement of profit or loss for the year ended 31 December 2019 included a profit of approximately RMB1,671,000 contributed by Longyan Changye after the date of the acquisition. Had the acquisition been completed on 1 January 2019, the proforma revenue in the Group's consolidated statement of profit or loss would be approximately RMB3,381,624,000 and the proforma loss in the Group's consolidated statement of profit or loss would be approximately RMB1,929,646,000.

Shanxian Dongxing

No acquisition-related cost was charged for the year ended 31 December 2019.

During the year ended 31 December 2019, Shanxian Dongxing contributed approximately RMB1,296,000 to the Group's revenue since acquisition. The Group's loss in the consolidated statement of profit or loss for the year ended 31 December 2019 included a loss of approximately RMB56,000 contributed by Shanxian Dongxing after the date of the acquisition. Had the acquisition been completed on 1 January 2019, the proforma revenue in the Group's consolidated statement of profit or loss would be approximately RMB3,379,182,000 and the proforma loss in the Group's consolidated statement of profit or loss would be approximately RMB1,930,226,000.

34. ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES (CONTINUED)

Acquisitions of subsidiaries (continued)

(b) Acquisition of subsidiaries for the year ended 31 December 2018

In October 2018, the Group acquired the entire equity interest of Yunxiao Changye Water Co., Ltd (雲霄長業水務有限公司), Pinghe Changye Water Co., Ltd (平和長業水務有限公司) and Changtai Changye Water Co., Ltd (長泰長業水務有限公司) (collectively the "**Changye Group**") and the related shareholders' loans for a total consideration of RMB136,698,000. The Changye Group is mainly engaged in construction, management and operation of the municipal wastewater projects in the PRC.

As a result of the acquisition, the Group expects to diversify its business to capture the benefits from the trend of BOT in the PRC. No goodwill was arising from the acquisition of the Changye Group.

The following table summarises the consideration paid for the acquisition and the amounts of assets acquired and liabilities assumed recognised at the date of acquisition.

	RMB'000
Recognised amounts of identifiable assets acquired and liabilities:	
Properties, plant and equipment (Note 17)	211
Service concession receivables	165,029
Inventories	663
Trade and other receivables	5,320
Bank balances and cash	1,083
Trade and other payables	(16,368)
Amounts due to shareholder	(49,308)
Borrowings	(19,240)
	87,390
Sale loan	49,308
Total consideration	136,698
Total consideration satisfied by:	
Cash consideration paid by related company	136,698
Net cash inflows arising on the acquisition during the year:	
Cash and cash equivalents acquired	1,083

Acquisition-related costs of approximately RMB358,000 were charged to administrative expenses in the consolidated income statement for the year ended 31 December 2018.

During the year ended 31 December 2018, the Changye Group contributed approximately RMB578,000 to the Group's revenue since acquisition. The Group's loss in the consolidated statement of profit or loss for the year ended 31 December 2018 included a profit of approximately RMB22,000 contributed by the Changye Group after the date of the acquisition. Had the acquisition been completed on 1 January 2018, the proforma revenue in the Group's consolidated statement of profit or loss would be approximately RMB4,812,964,000 and the proforma loss in the Group's consolidated statement of profit or loss would be approximately RMB967,978,000.

34. ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES (CONTINUED)

Disposal of subsidiaries

(c) Disposal of subsidiaries for the year ended 31 December 2019

During the year ended 2019, the Group disposed the entire issued share capital of Tongliao Sound, Lanxi Sound Water Co., Ltd (蘭溪桑德水務有限公司), Anyang Zongcun Sound, Anshan Qingchang, Anshan Qinglang, 65% of the entire issued share capital of Quzhou Sound Lvfa Water Co., Ltd (衢州桑德綠發水務有限公司) ("**Quzhou Sound**") and 85% of the issued share capital of Yunxiao Sound Water Co., Ltd (雲霄桑德水務有限公司) ("**Yunxiao Sound**") at total cash consideration of approximately RMB690,954,000. Upon completion of the disposed, these companies ceased to be subsidiaries of the Company and the remaining 15% equity interest of Yunxiao Sound held by the Group has been classified as financial assets at fair value through profit or loss.

The following table summarises the assets and liabilities of the subsidiaries at the date of disposal were as follow:

	RMB'000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	**3,009**
Service concession receivables	**1,005,385**
Inventories	**490**
Trade and other receivables	**366,964**
Bank balances and cash	**55,433**
Trade and other payables	**(255,993)**
Borrowings	**(251,000)**
Lease liabilities	**(134,874)**
Deferred tax liabilities	**(78,306)**
Net assets disposed of	**711,108**
Less: Non-controlling interests	**(53,348)**
Financial assets at fair value through profit or loss (Note 26)	**(410)**
Gain on disposals	**33,604**
Total consideration	**690,954**
Net cash inflow arising on disposal:	
Cash consideration received during the current year	**451,604**
Cash and cash equivalents disposed of	**(55,433)**
	396,171
Total consideration was settled by:	
Cash consideration received during the current year	**451,604**
Other receivables	**239,350**
	690,954

34. ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES (CONTINUED)

Disposal of subsidiaries (continued)

(d) Disposal of subsidiaries for the year ended 31 December 2018

(i) Fujian Ronghai

In 2018, the directors of the Company asserted that the Group disposed 51% of the entire issued share capital of Fujian Ronghai. Upon completion of the disposal, Fujian Ronghai ceased to be a subsidiary of the Company. However, as per the records in the SAMR, Beijing Sound ceased to be the register shareholder of Fujian Ronghai on 11 October 2019.

The net assets of the Fujian Ronghai at the date of disposal were as follow:

	RMB'000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	144
Services concession receivables	302,318
Trade and other receivables	37,421
Bank balances and cash	1,204
Trade and other payables	(71,099)
Borrowings	(172,000)
Deferred tax liabilities	(8,524)
Net assets disposed of	89,464
Less: Non-controlling interests	(43,837)
Loss on disposal	(45,627)
Total consideration	-
Net cash outflow arising on disposal:	
Cash and cash equivalents disposed of	(1,204)

(ii) Fuzhou City Dongxiang District Sound

In January 2018, the Group disposed of 51% equity interest of Fuzhou City Dongxiang District Sound at zero consideration. Upon completion of the Disposal, Fuzhou City Dongxiang District Sound ceased to be a subsidiary of the Company. The net assets and non-controlling interests of Fuzhou City Dongxiang District Sound at the date of disposal were zero. There is no gain or loss on the disposal of Fuzhou City Dongxiang District Sound being recognised during the year ended 31 December 2018.

35. TRANSACTION WITH NON-CONTROLLING INTEREST

(a) Capital contributions from non-controlling interests for the year ended 31 December 2019

During the year ended 31 December 2019, the non-controlling interests of the non-wholly owned subsidiaries including Anyang Taiyuan, Tongling Sound Water Co., Ltd (銅陵桑德水務有限公司), Tongzi Sound, Fengdu County Sound Water Co., Ltd (豐都縣桑德水務有限公司), Bazhong Sound Mingjiang Water Co., Ltd (巴中桑德銘江水務有限公司), Chongqing Yusang Environmental Protection Technology Co., Ltd (重慶渝桑環保科技有限公司) ("**Chongqing Yusang**"), Zhaoyuan Sound Water Co., Ltd (招遠市桑德水務有限公司), Shanxian Huadu Water Co., Ltd (單縣華都水務有限公司) ("**Shanxian Huadu**"), Suqian Sound Water Co., Ltd (宿遷桑德水務有限公司), Liaoning Qingqian Environmental Protection Engineering Co., Ltd (遼寧清乾環保工程有限公司) ("**Liaoning Qingqian**"), Jishou Sound Water Co., Ltd (吉首桑德水務有限公司), Shanxian Sound Munsang Water Supply Co., Ltd (單縣桑德民生自來水有限公司) ("**Shanxian Sound Munsang**"), Huangping Qielan Sound Water Co., Ltd (黃平且蘭桑德水務有限公司), Taihe County Sound Sewagel Treatment Co., Ltd (太和縣桑德污水處理有限公司), Beijing Sangtang International Landscape and Architectural Planning and Design Co., Ltd (北京桑塘國際景觀與建築規劃設計有限公司), Liuhe Sound Water Co., Ltd (柳河桑德水務有限公司) ("**Liuhe Sound**"), Xingren City Sound Water Co., Ltd (興仁市桑德水務有限公司), Jinzhou Sound Water Technology Co., Ltd (晉州市桑德水務科技有限公司) ("**Jinzhou Sound**") and Yanchi Country Sound Water Co., Ltd (鹽池縣桑德水務有限公司) ("**Yanchi Sound**") provided capital contributions to these subsidiaries based on their percentage of equity interests in these subsidiaries. The non-controlling interests have provided capital contribution of approximately RMB57,226,000.

(b) Dividend paid to non-controlling interests for the year ended 31 December 2019

During the year ended 31 December 2019, the non-controlling interests of the non-wholly owned subsidiaries, Jilin City Sound Water Co., Ltd (吉林市桑德水務有限公司) ("**Jilin City Sound**"), Liaoning Qingqian and Chongqing Yusang, received dividend based on the percentage of equity interests in this subsidiary. The non-controlling interests have received dividend of approximately RMB5,074,000.

(c) Capital contributions from non-controlling interests for the year ended 31 December 2018

During the year ended 31 December 2018, the non-controlling interests of the non-wholly owned subsidiaries including Quzhou Sound, Changchun Sound Xiangheng Water Co., Ltd (長春桑德翔恒水務有限公司), Jinzhou Sound, Liuhe Sound, Juye Sound Water Co., Ltd (巨野桑德水務有限公司), Qingdao Sound Sponge City Construction Engineering Co., Ltd (青島桑德海綿城市建設工程有限公司), Jilin City Sound, Taihe County Sound Sewagel Treatment Co., Ltd, Xiapu Sound Water Co., Ltd (霞浦縣桑德水務有限公司), Gansu Sound Shuiyang Water Co., Ltd (甘肅桑德水陽水務有限公司), Miluo Sound Water Co., Ltd (汨羅桑德水務有限公司) provided capital contributions to these subsidiaries based on their percentage of equity interests in these subsidiaries. The non-controlling interests have provided capital contribution of approximately RMB174,546,000.

(d) Dividend paid to non-controlling interest for the year ended 31 December 2018

During the year ended 31 December 2018, the non-controlling interests of the non-wholly owned subsidiary, Jilin Sound Water Co. Ltd (吉林桑德水務有限公司), received dividend based on the percentage of equity interests in this subsidiary. The non-controlling interest has received dividend of approximately RMB925,000.

35. TRANSACTION WITH NON-CONTROLLING INTEREST (CONTINUED)

(e) Loans and partial disposal of equity interests in subsidiaries

During the year ended 31 December 2016, the Group entered into a series of agreements with Jinxin Tairun and Sound Group whereby the Group borrowed in aggregate RMB871,850,000 from Jinxin Tairun for a duration of five years. Pursuant to the agreements with Jinxin Tairun and Sound Group, the Group pledged 70% equity interests of five subsidiaries including Shanxian Huadu, Huizhou Sound Water Co., Ltd, Shantou Guanbu Sound, Shantou Heping Sound and Shantou Tongyu Sound (collectively referred to as the "**Five Subsidiaries**") to Jinxin Tairun. In addition, the Group disposed of 30% equity interests of the Five Subsidiaries to Jinxin Tairun for a total consideration of RMB84,150,000 which represented 30% of the carrying values of the net assets of the Five Subsidiaries. Upon maturity of the loans from Jinxin Tairun, Sound Group shall buy the 30% equity interests of the Five Subsidiaries from Jinxin Tairun at a premium over the total consideration received by the Group for the disposal of the equity interests. During the year ended 31 December 2016, the Group also entered into a series of agreements with Jinxin Tairun whereby the Group borrowed RMB200,000,000 from Jinxin Tairun for a duration of five years. Pursuant to the agreements with Jinxin Tairun, the Group pledged the charging rights of Zhaodong Sound Water Co., Ltd (肇東桑德水務有限公司) ("**Zhaodong Sound**") under the service concession contract (these loans collectively referred to as the "**Transactions**").

During the year ended 31 December 2019, the Group early repaid the loans with principal amount of approximately RMB540,578,000 (2018: Nil). The outstanding balance of the loan from Jinxin Tairun as at 31 December 2019 was approximately RMB522,272,000 (2018: RMB1,062,850,000) and the interest charged for the year then ended was approximately RMB62,721,000 (2018: RMB90,342,000).

Jinxin Tairun is a limited partnership registered under the Partnership Enterprise Law of the People's Republic of China. Sound Group is a fellow subsidiary of the Company and also (i) directly held 33.304% of the equity interests in Jinxin Tairun as a limited partner and (ii) directly held 20% equity interests in Jiaxing Sangzi which directly held 0.044% of the equity interests in Jinxin Tairun as an unlimited partner. Furthermore, a key management of the Group was a legal representative and executive director of Jiaxing Sangzi since its incorporation and up to 14 December 2017. During the year ended 31 December 2019, the Group acquired the entire equity interest of Jiaxing Sangzi at total consideration of RMB13,000,000. As at the date of acquisition of Jiaxing Sangzi, Jiaxing Sangzi held 0.036% of the equity interests in Jinxin Tairun as an unlimited partner. The Company did not make announcement with regard to the Transactions and no shareholders' approval have been obtained for the Transactions if required by the Listing Rules.

35. TRANSACTION WITH NON-CONTROLLING INTEREST (CONTINUED)

(f) Changes in ownership interest in subsidiaries without loss of control for the year ended 31 December 2018

During the year ended 31 December 2018, the Group entered into a sale and purchase agreement with an independent third party to dispose 12.6% of the entire issued share capital of Changchun Sound Lvxin Water Co., Ltd (長春桑德綠新水務有限公司) ("**Changchun Sound Lvxin**").

The effect of changes in the ownership interest of Changchun Sound Lvxin on the equity attributable to owners of the company is summarised as follows:

	RMB'000
Consideration from non-controlling interests	16,000
Amount recognised as non-controlling interests	(19,320)
Movement on partial disposal within equity	(3,320)

During the year ended 31 December 2018, the Group entered into a sale and purchase agreement with an independent third party to dispose 30% of the entire issued share capital of Yanchi Sound.

The effect of changes in the ownership interest of Yanchi Sound on the equity attributable to owners of the company is summarised as follows:

	RMB'000
Consideration from non-controlling interests	10,000
Amount recognised as non-controlling interests	(11,091)
Movement on partial disposal within equity	(1,091)

36. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the borrowings and lease liabilities/obligations under finance lease and equity attributable to owners of the Company, comprising issued capital, retained earnings and other reserves.

The Group monitors capital with reference to its debt position. The Group's strategy was to maintain the equity and debt in a balanced position and ensure there were adequate working capital to service its debt obligation.

	2019	2018
	RMB'000	RMB'000
Borrowings (current)	**2,899,365**	5,399,265
Borrowings (non-current)	**5,960,351**	4,446,864
Lease liabilities/obligations under finance lease (current)	**332,909**	409,856
Lease liabilities/obligations under finance lease (non-current)	**644,714**	926,136
Total debts	**9,837,339**	11,182,121
Equity attributable to owners of the Company	**2,418,134**	4,372,586
Total debt to equity ratio	**4.07**	2.56

The Group's management reviews the capital structure on an on-going basis. As part of the review, the management considers the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

37. FINANCIAL INSTRUMENTS

37a. Categories of financial instruments

	2019 RMB'000	2018 RMB'000
Financial assets		
Financial assets at amortised cost		
Service concession receivables	**11,340,573**	10,938,736
Trade receivables	**2,043,391**	3,186,101
Bills receivable	**99**	3,983
Bid and compliance deposits	**80,501**	73,487
Other receivables	**1,392,521**	1,405,889
Restricted bank balances	**28,450**	216,158
Bank balances and cash	**387,070**	503,337
	15,272,605	16,327,691
Financial assets measured at fair value though profit and loss	**2,519**	-
Total	**15,275,124**	16,327,691
Financial liabilities		
Financial liabilities at amortised cost		
Trade payables	**3,980,057**	4,061,911
Bills payable	**25,000**	250,000
Bid and compliance deposits	**95,488**	119,570
Interest payables	**260,373**	277,213
Other payables	**3,186,915**	506,243
Borrowings	**8,859,716**	9,846,129
Lease liabilities/obligations under finance lease	**977,623**	1,335,992
	17,385,172	16,397,058

37. FINANCIAL INSTRUMENTS (CONTINUED)

37b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, service concession receivables, trade and other payables, borrowings, restricted bank balances, bank balances and cash. Details of these financial instruments are disclosed in the respective notes.

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group's objectives, policies and processes managing the risk and the methods used to measure the risk remains unchanged from prior year.

Credit risk management

The Group's maximum exposure to credit risk which will cause a financial loss due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position at the end of each reporting period.

At the end of the reporting period, the Group had certain concentrations of credit risk in relation to trade receivables as 31% (2018: 43%) of the Group's trade receivables were due from the Group's five largest trade debtors.

At the end of the reporting period, the Group had certain concentrations of credit risk in relation to other receivables as 27% (2018: 29%) of the Group's other receivables were due from the Group's five largest debtors.

At the end of the reporting period, the Group had certain concentrations of credit risk in relation to amounts due from customers for contract work as 54% (2018: 51%) of the Group's amounts due from customers for contract work were due from the Group's five largest debtors.

At the end of the reporting period, the Group had certain concentrations of credit risk in relation to service concession receivables as 15% (2018: 17%) of the Group's service concession receivables were due from the Group's five largest debtors.

Maximum exposure

Management groups financial instruments on basis of shared credit risk characteristics, such as instrument type and credit risk ratings for the purpose of determining significant increase in credit risk and calculation of impairment. The gross carrying amount of each financial asset in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to its financial assets.

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

- significant financial difficulty of the debtor;
- a breach of contract such as a default or past due event;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation.

37. FINANCIAL INSTRUMENTS (CONTINUED)

37b. Financial risk management objectives and policies (continued)

Credit risk management (continued)

Maximum exposure (continued)

To manage credit risk arising from debtors and contract assets, the credit quality of the debtors is assessed, taking into account their financial position, historical settlement records, past experience and other factors. The Group applies the general approach to provide for ECL prescribed by IFRS 9. The ECLs also incorporated forward looking information.

The Group has established a policy to perform an assessment at the end of the reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. The Group groups its financial assets into Stage 1, Stage 2 and Stage 3, as described below:

Stage 1 When the financial assets are first recognised, the Group recognised an allowance based on 12 months' ECL.

Stage 2 When the financial assets have shown a significant increase in credit risk since origination, the Group records an allowance for the lifetime ECLs.

Stage 3 The financial assets considered credit-impaired. The Group records an allowance for the lifetime ECLs.

Management also makes periodic collective assessments for the financial assets as well as individual assessment on the recoverability of the financial assets based on historical settlement records, past experience and other factors. The Group classified the financial assets into different stages by risk and continuously monitored their credit risk. Management believes that there is no material credit risk inherent in the Group's outstanding balances as at 31 December 2019 and 2018.

For receivables under service concession arrangements, the customers are local government authorities in the PRC and the management of the Group considers the credit risk is low.

As at 31 December 2019 and 2018, all restricted bank balances and bank balances and cash were deposited with creditworthy financial institutions without significant credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from the financial assets are set out in Notes 22, 25 and 27 to consolidated the financial statements.

37. FINANCIAL INSTRUMENTS (CONTINUED)

37b. Financial risk management objectives and policies (continued)

Market risk management

The Group's activities expose primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Foreign currency risk management

The Group undertake certain financing and treasury transactions in foreign currencies. Hence, exposures to exchange rate fluctuations arise. The management manages its currency risk by closely monitoring the movement of the foreign currency rates and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of foreign currency denominated monetary assets of restricted bank balances and bank balances and cash and monetary liabilities of borrowings that are denominated in currencies other than the respective group entities functional currencies at the end of the reporting period are as follows:

	Liabilities		**Assets**	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
S$	**-**	7,662	**1,310**	12,371
US$	**-**	-	**11,697**	12,080
HK$	**-**	-	**39**	41,886

37. FINANCIAL INSTRUMENTS (CONTINUED)

37b. Financial risk management objectives and policies (continued)

Market risk management (continued)

(i) Foreign currency risk management (continued)

Sensitivity analysis

The following table details the sensitivity to a 10% increase and decrease in functional currency against the relevant foreign currency. 10% is the sensitivity rate used 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 end of the reporting period for a 10% change in foreign currency rates. A negative number below indicates an increase in loss where functional currency strengthens 10% against the relevant currency. For a 10% weakening of the functional currency against the relevant currency, there would be an equal and opposite impact on the profit or loss.

	Profit for the year	
	2019	2018
	RMB'000	RMB'000
S$	**(131)**	(471)
US$	**(1,170)**	(1,208)
HK$	**(4)**	(4,189)

(ii) Interest rate risk management

The Group is mainly exposed to fair value interest rate risk in relation to its service concession receivables, fixed-rate borrowings and lease liabilities/obligations under finance leases (see Notes 22, 30 and 31 for details). The Group is also exposed to cash flow interest rate risk in relation to their variable-rate borrowing and bank balances which carry prevailing market interest rates. The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of loan interest published by PBOC.

Sensitivity analysis

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. The sensitivity analyses below have been determined based on the exposure to interest rates for variable interest rate borrowings. Bank balances are excluded from the sensitivity analyses since the management of the Group considered that they are not sensitive to fluctuation in interest rate. The analysis is prepared assuming the variable interest rate borrowings outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

37. FINANCIAL INSTRUMENTS (CONTINUED)

37b. Financial risk management objectives and policies (continued)

Market risk management (continued)

(ii) Interest rate risk management (continued)

Sensitivity analysis (continued)

If interest rates published by PBOC had been increased/decreased by 50 basis points and all other variables were held constant, the Group's loss for the year would increase/decrease by approximately RMB13,428,000 (2018: RMB16,700,000) for the year ended 31 December 2019.

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 the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

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 can be required to pay. To the extent that interest flows are variable-rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average interest rate %	On demand RMB'000	Within one year RMB'000	1 - 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
As at 31 December 2019							
Trade payables	**-**	**-**	**3,980,057**	**-**	**-**	**3,980,057**	**3,980,057**
Bills payable	**-**	**-**	**25,000**	**-**	**-**	**25,000**	**25,000**
Other payables	**-**	**-**	**3,186,915**	**-**	**-**	**3,186,915**	**3,186,915**
Bid and compliance deposits	**-**	**-**	**95,488**	**-**	**-**	**95,488**	**95,488**
Borrowings							
Fixed-rate	**6.97**	**-**	**1,766,260**	**2,437,861**	**2,040,865**	**6,244,986**	**5,223,560**
Variable-rate	**6.03**	**-**	**2,207,130**	**1,603,416**	**1,688,927**	**5,499,473**	**3,896,529**
Lease liabilities							
Fixed-rate	**6.57**	**-**	**382,168**	**614,059**	**121,311**	**1,117,538**	**977,623**
Total		**-**	**11,643,018**	**4,655,336**	**3,851,103**	**20,149,457**	**17,385,172**
As at 31 December 2018							
Trade payables	-	-	4,061,911	-	-	4,061,911	4,061,911
Bills payable	-	-	250,000	-	-	250,000	250,000
Other payables	-	-	506,243	-	-	506,243	506,243
Bid and compliance deposits	-	-	119,570	-	-	119,570	119,570
Borrowings							
Fixed-rate	7.50	-	1,850,024	3,363,186	1,878,869	7,092,079	5,534,550
Variable-rate	5.80	-	2,088,540	1,856,809	1,662,165	5,607,514	4,588,792
Obligations under finance lease							
Fixed-rate	5.66	-	525,468	934,539	13,885	1,473,892	1,335,992
Total		-	9,401,756	6,154,534	3,554,919	19,111,209	16,397,058

37. FINANCIAL INSTRUMENTS (CONTINUED)

37b. Financial risk management objectives and policies (continued)

Liquidity risk management (continued)

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

37c. Fair value measurements of financial instruments

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)

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

38. CAPITAL COMMITMENT

The Group had the following capital commitment at the end of the reporting period:

	2019	2018
	RMB'000	RMB'000
Construction of buildings:		
Contracted but not provided for	**2,150**	3,857

39. RETIREMENT BENEFIT PLANS

The Group's full-time employees in the PRC and Singapore are respectively covered by a government-sponsored defined contribution pension scheme and a comprehensive social security savings plan, which includes a retirement scheme. The employees are entitled to a monthly pension from their retirement dates. The PRC Government and Singapore Government are responsible for the pension liability to these retired employees. The Group is required to make annual contributions to the retirement plans of a prescribed amount of employees' salaries, which are charged as an expense when the employees have rendered services entitling them to the contributions.

39. RETIREMENT BENEFIT PLANS (CONTINUED)

During the year ended 31 December 2019, the total amounts contributed by the Group to the schemes and charged to profit or loss represent contributions payable to the schemes by the Group at rates specified in the rules of the schemes and are as follows:

	2019	2018
	RMB'000	RMB'000
Contributions to defined contribution plan	**17,740**	29,027

As at 31 December 2019, the contribution due in respect of the year that had not been paid to the schemes is approximately RMB359,000 (2018: RMB185,000).

40. SHARE-BASED PAYMENT TRANSACTIONS

Sound Global Share Option Scheme (the "Scheme")

The Scheme was adopted pursuant to a resolution passed on 30 April 2010, for the primary purpose of providing an opportunity for employees and directors (including independent non-executive directors) of the Company to participate in the equity of the Company so as to motivate them to greater dedication and higher standards of performance, and to give recognition to past contribution and services. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company immediately following its completion of the HKEx Listing, without prior approval from the Company's shareholders.

The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Persons who are controlling shareholders (being persons who directly or indirectly have an interest of 15% of the number of issued shares of the Company) or their associates shall not participate in the Scheme unless their participation and the actual number of shares to be issued to them and the terms of any options to be granted to them, have been approved by independent shareholders of the Company in general meeting by way of a separate resolution for each such person.

As at 31 December 2019 and 2018, there were no shares outstanding in respect of which options had been granted under the Scheme.

41. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed in elsewhere in the consolidated financial statements, some of the transactions and arrangements of the Group are with related parties. Unless otherwise stated, the balances are unsecured, interest-free and repayable on demand.

Name of party	**Relationship**
Sound Group	Companies under common control of Mr. Wen
Tianjin Sound Engineering and Tianjin Sound Water	Mr. Wen act as legal representative
Tus Environmental Science And Technology Development Co., Ltd (formerly known as "Tus-Sound Environmental Resources Co. Ltd") ("**Tus**")	Mr. Wen act as legal representative until 4 July 2019
Zhongye Zhengyi Group	Unconsolidated subsidiaries (Note 3(iv))

(a) During the financial year, the Group entered into the following significant transactions with related parties:

	2019	2018
	RMB'000	RMB'000
Revenue from engineering, procurement and construction contracts		
Sound Group and its subsidiaries	**35,025**	254,404
Tus and its subsidiaries#	**352**	382,156
Zhongye Zhengyi Group	**124,057**	252,571
	159,434	889,131
Revenue from sale of equipment		
Sound Group and its subsidiaries	**-**	441
Tus-Sound and its subsidiaries#	**-**	2,586
	-	3,027
Cost for engineering, procurement and construction contracts		
Tus and its subsidiaries#	**1,883**	-
Zhongye Zhengyi Group	**61,399**	34,140
	63,282	34,140
Administrative expenses		
Sound Group and its subsidiaries		
- rental and relevant services fee	**-**	93,294
- consultancy services fee	**-**	169,207
- financial guarantee fee	**-**	189,916
	-	452,417
Finance Cost		
Tus and its subsidiaries#	**6,036**	-

The amounts represent the transactions with related parties for the period from 1 January 2019 to 4 July 2019.

The terms for the above transactions are negotiated and mutually agreed between the respective parties.

41. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) At the end of the reporting period, the Group had the following balances with related parties:

	2019 RMB'000	2018 RMB'000
Trade receivables		
Sound Group and its subsidiaries	**51,882**	120,330
Tus and its subsidiaries	**-**	47,411
Zhongye Zhengyi Group*	**407,283**	409,705
	459,165	577,446
Other receivables:		
Advance to supplier and subcontractors		
Sound Group and its subsidiaries	**1,325**	876,165
Zhongye Zhengyi Group*	**1,217,262**	1,224,557
	1,218,587	2,100,722
Bid and compliance deposits		
Zhongye Zhengyi Group*	**1,200**	-
Others		
Sound Group and its subsidiaries (Note 25)	**133,057**	755
Zhongye Zhengyi Group* (Note 25)	**44,100**	43,138
Tianjin Sound Engineering and Tianjin Sound Water (Note 25)	**825**	-
	177,982	43,893
Amounts due from customers for contract work		
Sound Group and its subsidiaries	**1,968**	-
Zhongye Zhengyi Group*	**81,661**	-
	83,629	-
Trade payables		
Sound Group and its subsidiaries	**9,183**	-
Tus-Sound and its subsidiaries	**-**	8,032
Zhongye Zhengyi Group	**140,866**	107,092
	150,049	115,124
Other payables:		
Advance from customers		
Sound Group and its subsidiaries	**16,819**	7,107
Others		
Controlling shareholder (Note 29)	**4,897**	4,833
Sound Group and its subsidiaries	**18,976**	-
Tianjin Sound Engineering and Tianjin Sound Water	**1,386,581**	-
Zhongye Zhengyi Group (Note 29)	**16,716**	160
	1,427,170	4,993

* The amounts due from the Zhongyi Group were fully impaired as at 31 December 2019.

41. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Compensation of key management personnel

The emoluments of key management during the year including the directors and chief executive disclosed in Note 13 were as follows:

	2019	2018
	RMB'000	RMB'000
Fee, wages and salaries	**3,656**	4,164
Performance related incentive payments	**-**	305
Contributions to defined contribution plan	**220**	266
	3,876	4,735

(d) Guarantees

At the end of the reporting period, borrowings amounting to approximately RMB2,545,933,000 (2018: RMB2,506,707,000) of the Group were guaranteed by Sound Group.

(e) Licensing of trademarks

Since 2002, the Group (previously being registered owner of certain trademarks) uses its trademarks for its water and wastewater treatment business. These trademarks are also used by Sound Group for its investments in environmental protection and its subsidiary, Beijing Sound Water Technology Co., Ltd, for the processing of purified drinking water at no consideration before March 2006.

In March 2006, the Group agreed to transfer the trademarks for free to Sound Group pursuant to a trademarks transfer agreement dated 23 March 2006. Sound Group will in return grant the Group the right to use the trademarks for a period of up to 50 years at nil consideration.

42. EVENTS AFTER THE REPORTING PERIOD

Saved as disclosed elsewhere in the consolidated financial statements, subsequent to the end of the reporting period, the Group reported the following event after report period:

(a) <u>The 2 January 2020, 3 February 2020, 2 March 2020, 1 April 2020, 5 May 2020, 3 June 2020, 3 July 2020, 3 August 2020, 3 September 2020, 5 October 2020, 4 November 2020, 2 December 2020, 5 January 2021, 29 January 2021, 1 March 2021, 30 April 2021, 2 June 2021, 2 July 2021, 2 August 2021, 2 September 2021, 4 October 2021, 1 November 2021, 2 December 2021, 4 January 2022, 31 January 2022 and 1 March 2022 announcements</u>

On 2 January 2020, 3 February 2020, 2 March 2020, 1 April 2020, 5 May 2020, 3 June 2020, 3 July 2020, 3 August 2020, 3 September 2020, 5 October 2020, 4 November 2020, 2 December 2020, 5 January 2021, 29 January 2021, 1 March 2021, 30 April 2021, 2 June 2021, 2 July 2021, 2 August 2021,2 September 2021, 4 October 2021, 1 November 2021, 2 December 2021, 4 January 2022, 31 January 2022 and 1 March 2022 the Company announced that the Company was still in discussion with the Commission with a view to resolve the Commission's regulatory concerns regarding the Discrepancies and no agreement has been made. Further announcement will be made by the Company as and when appropriate.

42. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

(b) Disposal of subsidiaries

The Group entered into agreements to dispose of (i) the entire equity interests of Hailun Sound, Shuicheng Sound Water Co., Ltd (水城桑德水務有限公司) and Xingren City Sound Water Co., Ltd; (ii) 80% of entire equity interests of Beijing Sound Tianyu Environmental Protection Engineering Co., Ltd (北京桑德天宇環保工程有限公司); (iii) 61.73% of entire equity interests of Huangping Qielan Sound Water Co., Ltd; and (iv) 76.8% of entire equity interests of Taizhou Sound Water Co., Ltd (泰州桑德水務有限公司) at total consideration of approximately RMB183,076,000. As per the records in the SAMR, the changes of shareholders were completed in 2020 and the Group has no equity interests in these companies.

As disclosed in Note 3(viii), during the year ended 31 December 2019, the registered shareholder of Taizhou Qinlong Sound was changed to Tianjin Sound Engineering. However, the directors of the Company are of the opinion that the Group continued to have controls over this company as at 31 December 2019. The directors of the Company consider that the disposal of Taizhou Qinlong Sound by the Group was completed upon Tianjin Sound Engineering disposed its entire equity interest of Taizhou Qinlong Sound to another third party during the year ended 31 December 2020 which as per the records in the SAMR, the change of the registered shareholder of Taizhou Qinlong Sound was completed in 2020 and Tianjin Sound Engineering has no equity interest in Taizhou Qinlong Sound after the date of completion.

As disclosed in Note 3(viii), during the year ended 31 December 2019, the registered shareholder of Shandong Chengwu was changed to Jinxin Tairun. However, the directors of the Company are of the opinion that the Group continued to have controls over this company as at 31 December 2019. The directors of the Company consider that the disposal of Shandong Chengwu by the Group was completed upon Jinxin Tairun disposed its entire equity interest of Shandong Chengwu to another third party during the year ended 31 December 2020 which as per the records in the SAMR, the change of the registered shareholder of Shandong Chengwu was completed in 2020 and Jinxin Tairun has no equity interest in Shandong Chengwu after the date of completion.

(c) Resignation of directors

Mr. Zhou Hao and Mr. Liu Xiqiang resigned as executive directors of the Company on 4 December 2020.

(d) Appointment of directors

Mr. Li Sai and Ms. Li Tingting were appointed as executive directors of the Company on 4 December 2020.

(e) As at the date of approval of these consolidated financial statements, the impact of the Coronavirus Disease 2019 (“**COVID-19**”) pandemic to the macro-economic conditions as a whole are still uncertain especially in the midst of Delta variant and the latest Omicron variant of COVID-19 pandemic, thus the financial impact on the Group could not be estimated. However, it is noted that construction works in several construction sites in China could only maintain limited operation or are forced to suspend due to the pandemic of COVID-19. Pending on the development and spread of COVID-19 subsequent to the date of approval of these consolidated financial statements, further changes in economic and operating conditions arising thereof may have impact on the Group’s financial results. The Group will pay close attention to the development of the COVID-19 and perform further assessment on its impact and take relevant measures.

43. PARTICULAR OF SUBSIDIARIES

Name of subsidiary	Place of incorporation and operation	Issued and fully paid-up issued capital/registered capital	Equity interest attributable to the Company as at 31 December 2019 Direct %	31 December 2019 Indirect %	31 December 2018 Direct %	31 December 2018 Indirect %	Principal activities
Advanced (Pengxi) 蓬溪愛文思水務有限公司	The PRC	US$3,000,000	-	**100**	-	100	Construction, management and operation of the water supply projects
Advanced Resources Holdings Pte. Ltd.	Singapore	S$8,822,000	-	**100**	-	100	Investment holding
Advanced Water Engineering Pte. Ltd.	Singapore	S$420,000	-	**100**	-	100	Investment holding
Advanced Water Purification (Chengdu) Co., Ltd 成都愛文思水質淨化有限公司	The PRC	S$2,700,000	-	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Advanced Water Technologies (Chengdu) Co., Ltd 成都愛文思水務科技有限公司	The PRC	S$400,000	-	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Anhui Sound Water Co., Ltd 安徽桑德水務有限公司	The PRC	RMB5,000,000	-	**100**	-	100	Construction, management and operation of the municipal wastewater project
Ankang Sound Water Co., Ltd(Note 3(viii)) 安康桑德水務有限公司[vii]	The PRC	RMB25,240,000	-	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Ankang Wuli Sound Water Co., Ltd[iv] 安康五裡桑德水務有限公司	The PRC	RMB11,400,000	-	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Anshan Qingchang[vii] 鞍山清暢水務有限公司	The PRC	RMB92,350,000	-	-	-	100	Construction, management and operation of the municipal wastewater projects

43. PARTICULAR OF SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation and operation	Issued and fully paid-up issued capital/registered capital	Equity interest attributable to the Company as at 31 December 2019 Direct %	31 December 2019 Indirect %	31 December 2018 Direct %	31 December 2018 Indirect %	Principal activities
Anshan Qinglang[vii] 鞍山清朗水務有限公司	The PRC	RMB102,000,000	-	-	-	100	Construction, management and operation of the municipal wastewater projects
Anshan Tianqing[(Note 3(viii))] 鞍山天清水務有限公司	The PRC	RMB30,000,000	-	-	-	100	Construction, management and operation of the municipal wastewater projects
Anyang Taiyuan 安陽泰元水務有限公司	The PRC	RMB30,000,000	-	**90**	-	90	Construction, management and operation of the municipal wastewater projects
Anyang Zongcun Sound[vii] 安陽宗村桑德水務有限公司	The PRC	RMB45,000,000	-	-	-	100	Construction, management and operation of the municipal wastewater projects
Baoding Sound Water Treatment Co., Ltd[(Note 3(viii))] 保定桑德水處理有限公司	The PRC	RMB20,800,000	-	-	-	100	Construction, management and operation of the municipal wastewater projects
Baoji Sound Water Co., Ltd 寶雞桑德水務有限公司	The PRC	RMB38,000,000	-	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Bazhong Sound Environment Investment Co., Ltd 巴中桑德環保投資有限公司	The PRC	RMB10,000,000	-	**100**	-	100	Construction, management and operation of the municipal wastewater projects

43. PARTICULAR OF SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation and operation	Issued and fully paid-up issued capital/registered capital	Equity interest attributable to the Company as at 31 December 2019 Direct %	31 December 2019 Indirect %	31 December 2018 Direct %	31 December 2018 Indirect %	Principal activities
Bazhong Sound Mingjiang Water Co., Ltd 巴中桑德銘江水務有限公司	The PRC	RMB10,000,000	**-**	**64**	-	64	Construction, management and operation of the municipal wastewater projects
Beijing Sound Tianyu Environmental Protection Engineering Co., Ltd 北京桑德天宇環保工程有限公司	The PRC	RMB336,140,000	**-**	**80**	-	80	Construction, management and operation of the municipal wastewater projects
Bazhong Sound Water Co., Ltd 巴中桑德水務有限公司	The PRC	RMB33,598,243	**-**	**100**	-	100	Construction, management and operation of the wastewater and water supply projects
Beijing Dezhonghui Labor Subcontracting Co., Ltd 北京德中惠勞務分包有限公司	The PRC	RMB5,000,000	**-**	**100**	-	100	Labor subcontracting
Beijing Epure Environment Engineering Co., Ltd[iv] 北京伊普環境工程有限公司	The PRC	RMB20,000,000	**-**	**-**	20	80	Research and development of water treatment technologies and provision of services of technology consultation
Beijing Epure International Water Co., Ltd 北京伊普國際水務有限公司	The PRC	US$20,000,000	**100**	**-**	100	-	Research and development of water treatment technologies and provision of services of technology consultation
Beijing Epure Sound Environmental Engineering Technology Co., Ltd[iv] 北京伊普桑德環境工程技術有限公司	The PRC	RMB15,000,000	**-**	**-**	-	100	Research and development of water treatment technologies and provision of services of technology consultation
Beijing Jingyushi 北京京禹石水務有限公司	The PRC	RMB144,600,000	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects

43. PARTICULAR OF SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation and operation	Issued and fully paid-up issued capital/registered capital	Equity interest attributable to the Company as at 31 December 2019		Equity interest attributable to the Company as at 31 December 2018		Principal activities
			Direct %	Indirect %	Direct %	Indirect %	
Beijing Jingyushun 北京京禹順環保有限公司	The PRC	RMB176,000,00	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Beijing Jingyuyang 北京京禹陽水務有限公司	The PRC	RMB220,280,000	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Beijing Sangtang International Landscape and Architectural Planning and Design Co., Ltd 北京桑塘國際景觀與建築規劃設計有限公司	The PRC	RMB8,000,000	**-**	**66**	-	66	Construction, management and operation of the municipal wastewater projects
Beijing Sound 北京桑德環境工程有限公司	The PRC	RMB1,500,000,000	**25**	**75**	25	75	Environmental construction related to water treatment
Changbaishan Protection and Development Zone Chixi District Sound Sewage Treatment Co., Ltd[ii] 長白山保護開發區池西區桑德污水處理有限公司	The PRC	RMB500,000	**-**	**100**	-	-	Construction, management and operation of the municipal wastewater projects
Changbaishan Protection and Development Zone Sound Water Supply Co., Ltd 長白山保護開發區桑德自來水有限公司	The PRC	RMB13,500,000	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Changbaishan Sound 長白山保護開發區桑德水務有限公司	The PRC	RMB15,000,000	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects

43. PARTICULAR OF SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation and operation	Issued and fully paid-up issued capital/registered capital	Equity interest attributable to the Company as at 31 December 2019 Direct %	31 December 2019 Indirect %	31 December 2018 Direct %	31 December 2018 Indirect %	Principal activities
Changchun Sound Yueheng Water Co., Ltd[iv] 長春桑德悅恒水務有限公司	The PRC	RMB2,791,530,000	-	**90**	-	90	Construction, management and operation of the municipal wastewater projects
Changchun Jiutai Sound Sewage Treatment Co., Ltd 長春市九台區桑德污水處理有限公司	The PRC	RMB29,595,300	-	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Changchun Sound Lvxin 長春桑德綠新水務有限公司	The PRC	RMB127,259,000	-	**87.4**	-	87.4	Construction, management and operation of the municipal wastewater projects
Changchun Sound Xiangheng Water Co., Ltd 長春桑德翔恒水務有限公司	The PRC	RMB310,170,000	-	**92**	-	92	Construction, management and operation of the municipal wastewater projects
Changsha Sound 長沙桑德水務有限公司	The PRC	RMB43,524,000	-	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Changtai Changye Water Co., Ltd 長泰長業水務有限公司	The PRC	RMB15,000,000	-	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Chengwu Sound Biqing Water Co., Ltd 成武桑德碧清水務有限公司	The PRC	RMB18,610,000	-	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Chengwu Sound Runze Water Co., Ltd 成武桑德潤澤水務有限公司	The PRC	RMB21,953,300	-	**99**	-	99	Construction, management and operation of the municipal wastewater projects

43. PARTICULAR OF SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation and operation	Issued and fully paid-up issued capital/registered capital	Equity interest attributable to the Company as at 31 December 2019 Direct %	31 December 2019 Indirect %	31 December 2018 Direct %	31 December 2018 Indirect %	Principal activities
Danyang Sound Danqing Water Co., Ltd 丹陽桑德丹清水務有限公司	The PRC	RMB10,000,000	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Daye Honglian 大冶鴻漣水務有限公司	The PRC	RMB18,000,000	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Dazhou Sound Water Co., Ltd(Note 3(viii)) 達州桑德水務有限公司	The PRC	RMB10,000,000	**-**	**-**	-	100	Construction, management and operation of the municipal wastewater projects
Dazhu Sound Water Co., Ltd 大竹桑德水務有限公司	The PRC	RMB35,000,000	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Epure International Engineering Pte. Ltd.	Singapore	S$1	**100**	**-**	100	-	Investment holding
Fengdu County Sound Village Water Co., Ltd 豐都縣桑德村鎮水務有限公司	The PRC	RMB40,000,000	**-**	**90**	-	90	Construction, management and operation of the municipal wastewater projects
Fengdu County Sound Water Co., Ltd 豐都縣桑德水務有限公司	The PRC	RMB46,470,000	**-**	**90**	-	90	Construction, management and operation of the municipal wastewater projects
Fogang Sound Water Co., Ltd 佛岡桑德水務有限公司	The PRC	RMB25,200,000	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Fuan Sound Water Co., Ltd 福安桑德水務有限公司	The PRC	RMB18,000,000	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects

43. PARTICULAR OF SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation and operation	Issued and fully paid-up issued capital/registered capital	Equity interest attributable to the Company as at 31 December 2019 Direct %	31 December 2019 Indirect %	31 December 2018 Direct %	31 December 2018 Indirect %	Principal activities
Fujian Ronghai[vii] 福建省融海環境科技有限公司	The PRC	RMB72,100,000	**-**	**-**	-	51	Construction, management and operation of the municipal wastewater projects
Fuqing Qingxi Water Co., Ltd 福清清溪水務有限公司	The PRC	RMB1,700,000	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Fuqing Sound Rongqing Water Co., Ltd 福清桑德融清水務有限公司	The PRC	RMB10,040,000	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Fushun Sound 撫順桑德水務有限公司	The PRC	US$13,000,000	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Fusui Sound Village Water Co., Ltd 扶綏桑德村鎮水務有限公司	The PRC	RMB13,500,000	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Fusui Sound Water Co., Ltd 扶綏桑德水務有限公司	The PRC	RMB8,400,000	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Fuyang Sound Water Co., Ltd[Note 3(viii)] 阜陽桑德水務有限公司	The PRC	RMB90,000,000	**-**	**-**	-	100	Construction, management and operation of the municipal wastewater projects
Gansu Sound Shuiyang Water Co., Ltd 甘肅桑德水陽水務有限公司	The PRC	RMB11,770,400	**-**	**70**	-	70	Construction, management and operation of the municipal wastewater projects

43. PARTICULAR OF SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation and operation	Issued and fully paid-up issued capital/registered capital	Equity interest attributable to the Company as at 31 December 2019 Direct %	31 December 2019 Indirect %	31 December 2018 Direct %	31 December 2018 Indirect %	Principal activities
Gaozhou City Sound Water Co., Ltd 高州市桑德水務有限公司	The PRC	RMB32,880,000	-	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Guangnan Sound Water Co., Ltd 廣南桑德水務有限公司	The PRC	RMB15,000,000	-	**60**	-	60	Construction, management and operation of the municipal wastewater projects
Guangxi Sound Co., Ltd 廣西桑德水務有限公司	The PRC	RMB34,116,900	-	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Gucheng Sound Water Co., Ltd 故城桑德水務有限公司	The PRC	RMB48,000,000	-	**100**	-	100	Construction, management and operation of the water supply projects
Guizhou Yilong New District Sound Water Co., Ltd 貴州義龍新區桑德水務有限公司	The PRC	RMB167,139,400	-	**90**	-	90	Construction, management and operation of the municipal wastewater projects
Haikou Sound Meisha Environmental Engineering Co., Ltd 海口桑德美沙環保工程有限公司	The PRC	RMB148,000,000	-	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Haikou Sound Wuyuan Engineering Co., Ltd 海口桑德五源環保工程有限公司	The PRC	RMB158,000,000	-	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Hailun Sound(Note 3(viii)) 海倫桑德水務有限公司	The PRC	RMB9,000,000	-	**-**	-	100	Construction, management and operation of the municipal wastewater projects

43. PARTICULAR OF SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation and operation	Issued and fully paid-up issued capital/registered capital	Equity interest attributable to the Company as at 31 December 2019 Direct %	31 December 2019 Indirect %	31 December 2018 Direct %	31 December 2018 Indirect %	Principal activities
Hainan Sound Water Co., Ltd 海南桑德水務有限公司	The PRC	RMB5,000,000	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Hangcheng Sound Co., Ltd 韓城市桑德水務有限公司	The PRC	RMB14,200,000	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Hanzhong Yang County 桑德漢中洋縣水務有限公司	The PRC	RMB47,128,540	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Helong Sound 和龍桑德水務有限公司	The PRC	RMB24,000,000	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Hi-Standard Equipment 北京海斯頓水處理設備有限公司	The PRC	RMB66,000,000	**-**	**100**	-	100	Manufacture of wastewater treatment equipment
Hongze Sound 洪澤桑德水務有限公司	The PRC	RMB1,000,000	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Hongze Zeqing 洪澤澤清水務有限公司	The PRC	US$14,000,000	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Huangping County Qianjing Water Co., Ltd 黃平縣黔京水務有限公司	The PRC	RMB17,500,000	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects

43. PARTICULAR OF SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation and operation	Issued and fully paid-up issued capital/registered capital	Equity interest attributable to the Company as at 31 December 2019 Direct %	31 December 2019 Indirect %	31 December 2018 Direct %	31 December 2018 Indirect %	Principal activities
Huangping County Sound Water Co., Ltd 黃平縣桑德水務有限公司	The PRC	RMB6,250,000	-	**100**	-	80	Construction, management and operation of the municipal wastewater projects
Huangping Qielan Sound Water Co., Ltd 黃平且蘭桑德水務有限公司	The PRC	RMB64,810,000	-	**62**	-	62	Construction, management and operation of the municipal wastewater projects
Huazhou City Tongqing Sound Water Co., Ltd 化州市同慶桑德水務有限公司	The PRC	RMB7,000,000	-	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Huazhou Sound Water Co., Ltd 化州桑德水務有限公司	The PRC	RMB7,000,000	-	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Huinan Sound Environmental Engineering Co., Ltd[iv] 輝南桑德環境工程有限公司	The PRC	RMB93,000,000	-	-	-	100	Construction, management and operation of the municipal wastewater projects
Huizhou Sound Water Co., Ltd[(Note 3(viii))] 惠州桑德水務有限公司	The PRC	RMB50,000,000	-	-	-	70	Construction, management and operation of the water supply projects
Huoqiu Sound Water Co., Ltd 霍邱桑德水務有限公司	The PRC	RMB13,000,000	-	**100**	-	100	Construction, management and operation of the municipal wastewater project
Jiaxing Sangzi[iii] 嘉興桑梓股權投資管理有限公司	The PRC	RMB13,000,000	-	**100**	-	100	Equity investment management

43. PARTICULAR OF SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation and operation	Issued and fully paid-up issued capital/registered capital	Equity interest attributable to the Company as at 31 December 2019 Direct %	31 December 2019 Indirect %	31 December 2018 Direct %	31 December 2018 Indirect %	Principal activities
Jiaxing City Zhengyi Equity Investment Management Co., Ltd(Note 3(iv)) 嘉興市正益股權投資管理有限公司	The PRC	RMB2,000,000	-	**100**	-	70	Equity investment management and consulting services
Jiaxing Zhenghao Property Service Co., Ltd(Note 3(iv)) 嘉興正皓物業服務有限公司	The PRC	RMB1,000,000	-	**100**	-	70	Property management and maintenance
Jiaxing Zhengxing Machinery and Equipment Leasing Co., Ltd(Note 3(iv)) 嘉興正興機械設備租賃有限公司	The PRC	RMB5,000,000	-	**100**	-	100	Leasing of construction machinery and equipment
Jilin City Sound 吉林市桑德水務有限公司	The PRC	RMB131,765,900	-	**67**	-	67	Construction, management and operation of the municipal wastewater projects
Jilin Province Sound Environmental Engineering Design Co., Ltd 吉林省桑德環境工程設計有限公司	The PRC	RMB1,000,000	-	**100**	-	100	Environmental construction related to water treatment
Jilin Sound Water Co., Ltd[iv] 吉林桑德水務有限公司	The PRC	RMB3,000,000	-	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Jingxian Sound Water Treatment Co., Ltd(Note 3(viii)) 景縣桑德淨水有限公司vii	The PRC	RMB21,600,000	-	-	-	100	Construction, management and operation of the water supply projects
Jinhu Sound Water Co., Ltd 金湖桑德水務有限公司	The PRC	RMB128,500,000	-	**100**	-	100	Construction, management and operation of the municipal wastewater projects

43. PARTICULAR OF SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation and operation	Issued and fully paid-up issued capital/registered capital	Equity interest attributable to the Company as at 31 December 2019 Direct %	31 December 2019 Indirect %	31 December 2018 Direct %	31 December 2018 Indirect %	Principal activities
Jinjiang Sound Water Co., Ltd 晉江桑德水務有限公司[iv]	The PRC	RMB36,000,000	**-**	**-**	-	-	Construction, management and operation of the municipal wastewater projects
Jinzhou Sound 晉州市桑德水務科技有限公司	The PRC	RMB117,650,000	**-**	**99**	-	99	Construction, management and operation of the municipal wastewater projects
Jishou Sound Water Co., Ltd 吉首桑德水務有限公司	The PRC	RMB99,560,000	**-**	**90**	-	90	Construction, management and operation of the municipal wastewater projects
Juye Sound Water Co., Ltd 巨野桑德水務有限公司	The PRC	RMB97,800,000	**-**	**90**	-	90	Construction, management and operation of the municipal wastewater projects
Kedong Sound Water Co., Ltd 克東桑德水務有限公司	The PRC	RMB12,210,000	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Khorchin Youyi Qianqi Sound Water Co., Ltd 科爾沁右翼前旗桑德水務有限公司	The PRC	RMB48,000,000	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Kulunqi Sound Water Co., Ltd 庫倫旗桑德水務有限公司	The PRC	RMB5,500,000	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Lanxi Sound Water Co., Ltd[vii] 蘭溪桑德水務有限公司	The PRC	RMB97,500,000	**-**	**-**	-	100	Construction, management and operation of the municipal wastewater projects

43. PARTICULAR OF SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation and operation	Issued and fully paid-up issued capital/registered capital	Equity interest attributable to the Company as at 31 December 2019 Direct %	31 December 2019 Indirect %	31 December 2018 Direct %	31 December 2018 Indirect %	Principal activities
Leiyang Sound Water Co., Ltd(Note 3(viii)) 耒陽桑德水務有限公司	The PRC	RMB103,000,000	**-**	**-**	-	100	Construction, management and operation of the municipal wastewater projects
Liangping Sound Water Co., Ltd 梁平桑德水務有限公司	The PRC	RMB12,400,000	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Lianshui Biqing Water Co., Ltd(Note 3(viii)) 漣水碧清水務有限公司	The PRC	US$9,350,000	**-**	**85.6**	-	100	Construction, management and operation of the municipal wastewater projects
Lianshui Lianqing Water Co., Ltd 漣水漣清水務有限公司	The PRC	US$5,000,000	**-**	**96**	-	96	Construction, management and operation of the municipal wastewater projects
Liaoning Qingqian[ix] 遼寧清乾環保工程有限公司	The PRC	RMB5,000,000	**-**	**51**	-	51	Construction, management and operation of the municipal wastewater projects
Linfen Sound Water Co., Ltd[iv] 臨汾桑德水務有限公司	The PRC	RMB40,670,000	**-**	**-**	-	100	Construction, management and operation of the municipal wastewater projects
Linfen Yiande Water Co., Ltd[viii] 臨汾益安德水務有限公司	The PRC	RMB97,000,000	**-**	**100**	-	80	Construction, management and operation of the water supply projects
Linzhi Sound Water Co., Ltd 林芝桑德水務有限公司	The PRC	RMB200,000,000	**-**	**100**	-	100	Research and development of water treatment technologies and provision of services of technology consultation

43. PARTICULAR OF SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation and operation	Issued and fully paid-up issued capital/registered capital	Equity interest attributable to the Company as at 31 December 2019 Direct %	Indirect %	31 December 2018 Direct %	Indirect %	Principal activities
Liuhe Sound 柳河桑德水務有限公司	The PRC	RMB56,824,100	**-**	**99.99**	-	99.99	Construction, management and operation of the municipal wastewater projects
Longchuan Sound Water Environment Management Co., Ltd 龍川桑德水環境治理有限公司	The PRC	RMB142,500,000	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Longyan Changye[iii] 龍岩市長業水務有限公司	The PRC	RMB15,000,000	**-**	**100**	-	-	Construction, management and operation of the municipal wastewater projects
Luoyuan Beimei Water Co., Ltd 羅源北美水務有限公司	The PRC	RMB5,000,000	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Luoyuan Beimei (Phase II) Water Co., Ltd 羅源北美二期水務有限公司	The PRC	RMB10,000,000	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Menyuan Sound Water Co., Ltd 門源桑德水務有限公司	The PRC	RMB34,712,700	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Miluo Sound Water Co., Ltd 汨羅桑德水務有限公司	The PRC	RMB28,848,200	**-**	**85**	-	85	Construction, management and operation of the municipal wastewater projects
Panan Sound Sewage Treatment Co., Ltd 磐安桑德污水處理有限公司	The PRC	RMB10,000,000	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Pinghengye Water Co., Ltd 平和長業水務有限公司	The PRC	RMB4,000,000	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects

43. PARTICULAR OF SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation and operation	Issued and fully paid-up issued capital/registered capital	Equity interest attributable to the Company as at 31 December 2019 Direct %	31 December 2019 Indirect %	31 December 2018 Direct %	31 December 2018 Indirect %	Principal activities
Pingxiang Sound Water Technology Co., Ltd 萍鄉桑德水務科技有限公司	The PRC	RMB10,000,000	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Qingdao Sound Sponge City Construction Engineering Co., Ltd 青島桑德海綿城市建設工程有限公司	The PRC	RMB141,000,000	**-**	**71**	-	71	Engineering design and construction; engineering project consultation municipal public facilities management
Quanzhou Sound Water Co., Ltd 泉州桑德水務有限公司	The PRC	RMB30,000,000	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Quanzhou Sound Water Investment Co., Ltd 泉州桑德自來水投資有限公司	The PRC	RMB28,550,000	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Quzhou Sound[vii] 衢州桑德綠發水務有限公司	The PRC	RMB140,405,500	**-**	**-**	-	65	Construction, management and operation of the municipal wastewater projects
Sanming Sound Water Co., Ltd 三明桑德水務有限公司	The PRC	RMB3,100,000	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Shandong Chengwu[Note 3(viii)] 山東省成武盈源實業有限公司	The PRC	RMB47,651,200	**-**	**-**	-	100	Construction, management and operation of the municipal wastewater projects
Shangluo Sound Co., Ltd 商洛桑德水務有限公司	The PRC	RMB13,800,000	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects

43. PARTICULAR OF SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation and operation	Issued and fully paid-up issued capital/registered capital	Equity interest attributable to the Company as at 31 December 2019 Direct %	31 December 2019 Indirect %	31 December 2018 Direct %	31 December 2018 Indirect %	Principal activities
Shantou Guanbu Sound(Note 3(viii)) 汕頭市關埠桑德水務有限公司	The PRC	RMB62,500,000	**-**	**-**	-	70	Construction, management and operation of the municipal wastewater projects
Shantou Heping Sound(Note 3(viii)) 汕頭市和平桑德水務有限公司	The PRC	RMB73,000,000	**-**	**-**	-	70	Construction, management and operation of the municipal wastewater projects
Shantou Tongyu Sound(Note 3(viii)) 汕頭市銅盂桑德水務有限公司[vii]	The PRC	RMB65,000,000	**-**	**-**	-	70	Construction, management and operation of the municipal wastewater projects
Shanxian Huadu 單縣華都水務有限公司	The PRC	RMB30,000,000	**-**	**70**	-	70	Construction, management and operation of the water supply projects
Shanxian Sound Munsang[vi] 單縣桑德民生自來水有限公司	The PRC	RMB6,000,000	**-**	**49**	-	49	Construction, management and operation of the municipal wastewater projects
Shanxian Dongzing Construction Engineering Co., Ltd[iii] 單縣東興建設工程有限公司	The PRC	RMB6,000,000	**-**	**51**	-	-	Construction, management and operation of the municipal wastewater projects
Shanxian Sound Xinnong Water Co., Ltd 單縣桑德新農水務有限公司	The PRC	RMB17,700,000	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Shenzhen Sound Environmental Engineering Design Co., Ltd[iv] 深圳桑德環境工程設計有限公司	The PRC	RMB500,000	**-**	**-**	-	100	Research on sewage treatment technology; providing technical consultation and technical services for sewage treatment
Shouxian sound water Co., Ltd[ii] 壽縣桑德水務有限公司	The PRC	RMB94,128,000	**-**	**95**	-	-	Construction, management and operation of the municipal wastewater projects

43. PARTICULAR OF SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation and operation	Issued and fully paid-up issued capital/registered capital	Equity interest attributable to the Company as at 31 December 2019 Direct %	31 December 2019 Indirect %	31 December 2018 Direct %	31 December 2018 Indirect %	Principal activities
Shuicheng Sound Water Co., Ltd 水城桑德水務有限公司	The PRC	RMB5,000,000	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Siyang Siqing Water Co., Ltd(Note 3(viii)) 泗陽泗清水務有限公司	The PRC	RMB2,400,000	**-**	**-**	-	100	Construction, management and operation of the municipal wastewater projects
Sound Construction Group Co., Ltd(Note 3(iv)) 桑德建設集團有限責任公司	The PRC	RMB116,000,000	**-**	**100**	-	70	Industrial and residential properties construction, engineering design and construction, sale of building materials, leasing of properties and construction machinery and computer software development
Sound Global (Hong Kong) Limited	Hong Kong	US$3,150,000	**100**	**-**	100	-	Investment holding
Sound International Investment Holdings Limited	The BVI	US$1	**100**	**-**	100	-	Investment holding
Sound International Engineering Ltd	The BVI	US$1	**-**	**100**	-	100	Investment holding
Sound Siyang Water Co., Ltd 桑德泗陽水務有限公司	The PRC	RMB114,608,560	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Sound Wellmind Jiangsu Water Co., Ltd 桑德維爾美江蘇水務有限公司	The PRC	RMB10,000,000	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects

43. PARTICULAR OF SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation and operation	Issued and fully paid-up issued capital/registered capital	Equity interest attributable to the Company as at 31 December 2019 Direct %	31 December 2019 Indirect %	31 December 2018 Direct %	31 December 2018 Indirect %	Principal activities
Suqian Sound Water Co., Ltd 宿遷桑德水務有限公司	The PRC	RMB58,604,000	-	**80**	-	80	Construction, management and operation of the municipal wastewater projects
Tacheng City Sound Water Co., Ltd 塔城市桑德水務有限公司	The PRC	RMB20,000,000	-	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Taian Sound Qingyuan Water Co., Ltd(Note 3(viii)) 台安桑德清源水務有限公司	The PRC	RMB8,640,000	-	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Taian Sound Water Co., Ltd 台安桑德水務有限公司vii	The PRC	RMB33,270,000	-	-	-	100	Construction, management and operation of the municipal wastewater projects
Taihe County Sound Sewagel Treatment Co., Ltd 太和縣桑德污水處理有限公司	The PRC	RMB33,600,000	-	**80**	-	80	Construction, management and operation of the municipal wastewater projects
Taihe Sound Water Treatment Co., Ltd(Note 3(viii)) 太和桑德淨水有限公司	The PRC	RMB40,260,000	-	-	-	100	Construction, management and operation of the municipal wastewater projects
Taizhou Qinlong Sound(Note 3(viii)) 泰州溱瀧桑德水務有限公司	The PRC	RMB43,000,000	-	-	-	100	Construction, management and operation of the municipal wastewater projects
Taizhou Sound Water Co., Ltd[i] 泰州桑德水務有限公司	The PRC	RMB145,800,000	-	**76.8**	-	76.8	Construction, management and operation of the municipal wastewater projects

43. PARTICULAR OF SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation and operation	Issued and fully paid-up issued capital/registered capital	Equity interest attributable to the Company as at 31 December 2019 Direct %	31 December 2019 Indirect %	31 December 2018 Direct %	31 December 2018 Indirect %	Principal activities
Taizhou Yanqing Sound Water Co., Ltd 泰州堰清桑德水務有限公司	The PRC	US$5,900,000	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Tongjiang Sound Water Co., Ltd 通江桑德水務有限公司	The PRC	RMB51,966,450	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Tongliao Sound[vii] 通遼市桑德水務有限公司	The PRC	RMB53,500,000	**-**	**-**	-	100	Construction, management and operation of the municipal wastewater projects
Tongling Sound Water Co., Ltd 銅陵桑德水務有限公司	The PRC	RMB30,000,000	**-**	**80**	-	80	Construction, management and environment construction related water treatment
Tongzi Sound 桐梓桑德水務有限公司	The PRC	RMB45,000,000	**-**	**56**	-	56	Construction, management and operation of the municipal wastewater projects
Tongzi Sound Panlong Water Co., Ltd 桐梓桑德蟠龍水務有限公司	The PRC	RMB40,000,000	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Urumqi Sound Water Co., Ltd 烏魯木齊桑德水務有限公司	The PRC	RMB40,000,000	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Wuyi Sound Water Co., Ltd 武義桑德水務有限公司	The PRC	US$8,000,000	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects

43. PARTICULAR OF SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation and operation	Issued and fully paid-up issued capital/registered capital	Equity interest attributable to the Company as at 31 December 2019		Equity interest attributable to the Company as at 31 December 2018		Principal activities
			Direct	Indirect	Direct	Indirect	
			%	%	%	%	
Xi'an Chang'an Sound Co., Ltd 西安長安桑德水務有限公司	The PRC	RMB51,000,000	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Xi'an Changqing Sound Water Co., Ltd 西安長清桑德水務有限公司	The PRC	RMB50,000,000	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Xi'an Hu County Sound 西安戶縣桑德水務有限公司	The PRC	RMB24,000,000	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Xi'an Trade & Logistics Park Sound Water Co., Ltd 西安港務區桑德水務有限公司	The PRC	RMB19,688,160	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Xi'an Zhouqing Sound Water Co., Ltd[ii] 西安周清桑德水務有限公司	The PRC	RMB500,000	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Xiangxiang Sound Water Co., Ltd 湘鄉桑德水務有限公司	The PRC	RMB8,640,000	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Xianyang Xingping Sound Water Co., Ltd[(Note 3(viii))] 咸陽興平桑德水務有限公司	The PRC	RMB38,000,000	**-**	**-**	-	100	Construction, management and operation of the municipal wastewater projects
Xiaoxian Sound Water Co., Ltd 蕭縣桑德水務有限公司[iv]	The PRC	RMB77,120,800	**-**	**90**	-	90	Construction, management and operation of the municipal wastewater projects

43. PARTICULAR OF SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation and operation	Issued and fully paid-up issued capital/registered capital	Equity interest attributable to the Company as at 31 December 2019 Direct %	31 December 2019 Indirect %	31 December 2018 Direct %	31 December 2018 Indirect %	Principal activities
Xiapu Sound Water Co., Ltd 霞浦縣桑德水務有限公司	The PRC	RMB30,000,000	-	**90**	-	90	Construction, management and operation of the municipal wastewater projects
Xinghua City Sound Water Co., Ltd 興化市桑德水務有限公司	The PRC	RMB36,000,000	-	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Xinghua Huqing Water Co., Ltd 興化湖清水務有限公司	The PRC	RMB112,260,000	-	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Xingping City Hualu Water Co., Ltd 興平市華陸水務有限公司[vii]	The PRC	RMB10,000,000	-	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Xingren City Sound Water Co., Ltd 興仁市桑德水務有限公司	The PRC	RMB39,000,000	-	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Xinshao Sound Water Co., Ltd 新邵桑德水務有限公司	The PRC	RMB70,580,000	-	**100**	-	100	Construction, management and operation of the water supply projects
Xintai Sound Biqing Water Co., Ltd 新泰碧清水務有限公司	The PRC	RMB17,655,840	-	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Xintai Sound Water Co., Ltd 新泰桑德水務有限公司	The PRC	RMB17,750,000	-	**100**	-	100	Construction, management and operation of the municipal wastewater projects

43. PARTICULAR OF SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation and operation	Issued and fully paid-up issued capital/registered capital	Equity interest attributable to the Company as at 31 December 2019 Direct %	Indirect %	31 December 2018 Direct %	Indirect %	Principal activities
Xintai Sound Zhengyuan Water Co., Ltd 新泰桑德正源水務有限公司	The PRC	US$7,200,000	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Xinyang Sound Shenzhou Water Co., Ltd 信陽桑德申州水務有限公司	The PRC	RMB102,180,300	**-**	**80**	-	80	Construction, management and operation of the municipal wastewater projects
Xishui County Xianqing Water Co., Ltd 習水縣黔清水務有限公司	The PRC	RMB26,350,000	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Xishui County Xianyuan Water Co., Ltd 習水縣黔源水務有限公司	The BVI	US$12,000,000	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Xishui Sound Water Co., Ltd(Note 3(viii)) 習水桑德水務有限公司	The PRC	RMB90,000,000	**-**	**-**	-	100	Construction, management and operation of the municipal wastewater projects
Xizang Sound Environment Development Co., Ltd 西藏桑德環境發展有限公司	The PRC	RMB100,000,000	**-**	**100**	-	100	Research and development of water treatment technologies and provision of services of technology consultation
Xizang Sound Environmental Engineering Co., Ltd 西藏桑德環境工程有限公司	The PRC	RMB100,000,000	**-**	**100**	-	100	Research and development of water treatment technologies and provision of services of technology consultation
Xizang Sound Water Co., Ltd 西藏桑德水務有限公司	The PRC	RMB500,000,000	**-**	**100**	-	100	Research and development of water treatment technologies and provision of services of technology consultation

43. PARTICULAR OF SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation and operation	Issued and fully paid-up issued capital/registered capital	Equity interest attributable to the Company as at 31 December 2019 Direct %	31 December 2019 Indirect %	31 December 2018 Direct %	31 December 2018 Indirect %	Principal activities
Xunyang Sound Water Co., Ltd 旬陽桑德水務有限公司	The PRC	RMB3,000,000	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Yanchi Gaoshawo Sound Water Co., Ltd 鹽池縣高沙窩桑德水務有限公司	The PRC	RMB12,460,000	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Yanchi Sound 鹽池縣桑德水務有限公司	The PRC	RMB33,900,000	**-**	**70.5**	-	100	Construction, management and operation of the municipal wastewater projects
Yangchun City Sound Water Co., Ltd 陽春市桑德水務有限公司	The PRC	RMB9,000,000	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Yanjin Sanke Water Co., Ltd 鹽津桑科水務有限公司	The PRC	RMB30,000,000	**-**	**85**	-	85	Construction, management and operation of the municipal wastewater projects
Yanjin Sound Water Co., Ltd 鹽津桑德水務有限公司	The PRC	RMB9,689,000	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Yantai Bihai 煙臺碧海水務有限公司	The PRC	RMB38,000,000	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Yining City Huize Water Co., Ltd 伊寧市惠澤水務有限責任公司	The PRC	RMB77,000,000	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects

43. PARTICULAR OF SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation and operation	Issued and fully paid-up issued capital/registered capital	Equity interest attributable to the Company as at 31 December 2019 Direct %	31 December 2019 Indirect %	31 December 2018 Direct %	31 December 2018 Indirect %	Principal activities
Yulin Jingzhou Sound Co., Ltd 榆林市靖洲水務有限公司	The PRC	RMB31,030,000	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Yulin Sound Water Co., Ltd(Note 3(viii)) 榆林桑德水務有限公司	The PRC	US$4,050,000	**-**	**-**	-	100	Construction, management and operation of the municipal wastewater projects
Yunxiao Changye Water Co., Ltd 雲霄長業水務有限公司	The PRC	RMB10,000,000	**-**	**100**	-	100	Construction, management and operation of the municipal wastewater projects
Yunxiao Sound Water Co., Ltd 雲霄桑德水務有限公司	The PRC	RMB50,000,000	**-**	**-**	-	100	Construction, management and operation of the municipal wastewater projects
Zhaodong Sound Water Co., Ltd 肇東桑德水務有限公司	The PRC	RMB129,810,000	**-**	**67**	-	67	Construction, management and operation of the water supply projects
Zhaoyuan Sound Eco-environment Co., Ltd 招遠桑德生態環境有限公司	The PRC	RMB155,588,900	**-**	**80**	-	80	Construction, management and operation of the municipal wastewater projects
Zhaoyuan Sound Water Co., Ltd 招遠市桑德水務有限公司	The PRC	US$12,000,000	**-**	**80**	-	80	Construction, management and operation of the municipal wastewater projects

43. PARTICULAR OF SUBSIDIARIES (CONTINUED)

The directors of the Company made an assessment as at the end of the reporting period. In the opinion of the directors, there is no subsidiary that has non-controlling interest individually that are material to the Group and therefore no information is disclosed for these non-wholly owned subsidiaries.

Significant restrictions

Cash and short-term deposits of RMB held in the PRC are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the PRC, other than through normal dividends.

notes:

(i) Pursuant to the contract for Chinese-foreign contractual joint venture between the owners of Taizhou Sound Water Co., Ltd (泰州桑德水務有限公司) ("**Taizhou Sound**"), the Company has control over Taizhou Sound and is entitled to 100% of the dividend distributed by this entity.

(ii) Those entities are newly incorporated or established in the current year.

(iii) Those entities are acquired in the current year.

(iv) Those entities are de-registered in the current year.

(v) Except for Taizhou Sound, the equity interests in other subsidiaries are same with the voting rights in the subsidiaries. The equity interest of the Company in Taizhou Sound is 76.8%, while the voting right in Taizhou Sound is 100%.

(vi) The above represented effective interest indirectly held by the Group. Shanxian Sound Munsang was a 70% owned subsidiary of Shanxian Huadu, a 70% owned subsidiary of the Group and therefore the directors of the Company consider that the Company can exercise control over Shanxian Sound Munsang through control of Shanxian Huadu.

(vii) Those entities are disposed in the current year.

(viii) During the year ended 31 December 2017, the Group entered into a sale and purchase agreement with an independent third party to acquire 20% of the entire issued share capital of Linfen Yiande Water Co., Ltd from the non-controlling interests at zero consideration.

(ix) On 6 June 2017, the Group acquired 51% equity interests of Liaoning Qingqian pursuant to a sales and purchase agreement dated 21 April 2017 at zero consideration.

44. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	Note	**2019**	2018
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Equipment		**403**	213
Investments in subsidiaries		**767,522**	767,522
Amounts due from subsidiaries		**667,621**	660,796
		1,435,546	1,428,531
Current assets			
Trade and other receivables		**6,488**	6,512
Amounts due from subsidiaries		**1,272,621**	1,272,330
Bank balances and cash		**1,068**	11,264
		1,280,177	1,290,106
Total assets		**2,715,723**	2,718,637
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	33	**1,720,304**	1,720,304
Reserves		**(3,697)**	10,976
Total equity		**1,716,607**	1,731,280
Non-current liability			
Lease liabilities		**29**	-
Current liabilities			
Trade and other payables		**19,637**	19,785
Amounts due to subsidiaries		**979,104**	967,572
Lease liabilities		**346**	-
		999,087	987,357
Total liabilities		**999,116**	987,357
Total equity and liabilities		**2,715,723**	2,718,637

44. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

Reserve movement of the Company

	Capital reserve	Retained earnings/ (Accumulated losses)	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2018	7,010	31,189	38,199
Loss for the year	-	(27,223)	(27,223)
As at 31 December 2018	7,010	3,966	10,976
Loss for the year	-	(14,673)	(14,673)
As at 31 December 2019	**7,010**	**(10,707)**	**(3,697)**

45. NON-CASH TRANSACTIONS

Save as disclosed elsewhere and below which are not reflected in the consolidated statement of cash flow, the Group did not have major non-cash transactions.

During the year ended 31 December 2019, the Group acquired a subsidiary as disclosed in Note 34(a), with cash consideration amounted to RMB35,000,000 settled by deposit paid in prior years and cash consideration unpaid amounted to approximately RMB16,535,000 recognised as other payable (Note 29).

During the year ended 31 December 2019, the Group disposed certain subsidiaries as described in Note 34(c), with cash consideration amounted to approximately RMB239,350,000 was not yet received and recognised as other receivables (Note 25).

46. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Borrowings	Lease liabilities/ obligations under finance lease	Interest payable	Advances from related parties	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2018	7,253,138	1,125,594	98,358	-	8,477,090
Financing cash flows	2,592,991	210,398	(315,083)	-	2,488,306
Total interest	-	-	493,938	-	493,938
As at 31 December 2018	9,846,129	1,335,992	277,213	-	11,459,334
Adjustment upon application of IFRS 16	-	706	-	-	706
As at 1 January 2019 (restated)	9,846,129	1,336,698	277,213	-	11,460,040
Financing cash flows	(741,213)	(266,033)	(354,166)	1,386,581	25,169
Total interest	-	41,832	337,326	-	379,158
Acquisition of subsidiaries	5,800	-	-	-	5,800
Disposal of subsidiaries	(251,000)	(134,874)	-	-	(385,874)
As at 31 December 2019	**8,859,716**	**977,623**	**260,373**	**1,386,581**	**11,484,293**

47. CONTINGENT LIABILITIES

Saved as disclosed elsewhere in the consolidated financial statements, the Group did not have other contingent liabilities as at 31 December 2019 and 2018 and up to the date of this report.

48. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board on 18 March 2022.

EXTRACT OF INDEPENDENT AUDITORS' REPORT

The Company's auditors have issued disclaimer of opinion on the Group's consolidated financial statements for the year ended 31 December 2019, an extract of which is as follows:

Disclaimer of Opinion

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the "Basis for Disclaimer of Opinion" section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements and as to whether the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

(a) Discrepancies in the bank balances as at 31 December 2012 and 2013 and loss of accounting records

As disclosed in Note 3(i) to the consolidated financial statements, the Company made an announcement on 13 April 2016 stating that the Securities and Futures Commission (the "**Commission**") had directed The Stock Exchange of Hong Kong Limited (the "**HKEx**") to suspend all the dealings in the shares of the Company with effect from 13 April 2016 (the "**2016 Suspension**").

The Company later announced on 2 June 2017 and 19 June 2017 that (i) on 25 November 2016, an accident occurred when certain financial documents of the Group were being transported to a new file storage facility and as a result, certain financial documents of the Group were lost and/or damaged (the "**Accident**"); and (ii) the Group was in the course of verifying the relevant details and ascertaining the scope of loss. Subsequently on 24 July 2017, the Company made an announcement stating that (i) the reason for the 2016 Suspension was that the Commission had found the bank balances of five bank accounts (the "**Banks Accounts**") of the subsidiaries of the Company as at 31 December 2012 and 31 December 2013 were materially overstated by approximately RMB2.1 billion and RMB2.7 billion respectively (the "**Bank Balances Discrepancies**"); and (ii) PKF Business Advisory Limited (the "**Reviewer**") was engaged by the Company on 19 January 2017 to perform investigation services to the Company in respect of the Bank Balances Discrepancies.

In relation to the Accident, the directors of the Company have determined that the Accident was a fire accident which caused damages to and loss of financial documents of five subsidiaries of the Company (the "**Relevant PRC Subsidiaries**"), details of which are set out in Note 3(i) to the consolidated financial statements. Vouchers together with their supporting documents, bank statements and related bank reconciliations of the Relevant PRC Subsidiaries for the financial years 2010 to 2015 were lost in the Accident (the "**Damaged Documents**"). The directors of the Company asserted that the Group had been unable to retrieve or reconstruct the books and records of the Relevant PRC Subsidiaries based on the financial information of the Relevant PRC Subsidiaries available to them, as key personnel of the finance department of the Group had left the Group and the Group had lost contact with them. Further, the Bank Accounts to which the Bank Balances Discrepancies relate were bank accounts of the Relevant PRC Subsidiaries.

Basis for Disclaimer of Opinion (Continued)

(a) *Discrepancies in the bank balances as at 31 December 2012 and 2013 and loss of accounting records (Continued)*

On 1 February 2018, the Company announced that the Reviewer had on 8 January 2018 issued a report of their investigation findings. The Reviewer had identified discrepancies between the records shown in the list of bank accounts of the Group which were updated by the finance department after the Accident and the bank balances shown in the Group's audited consolidated financial statements, as well as discrepancies in the bank balances shown on the list of bank accounts of the Group provided by the Company and the records obtained by the Commission. Based on the information obtained by the Reviewer, the Reviewer identified that the balances of the Bank Accounts shown on the records obtained by the Commission as at 31 December 2012 and 2013 were lower than the corresponding balances shown on the lists of bank accounts of the Group provided by the Company, and the differences were respectively around RMB2.1 billion as at 31 December 2012 and around RMB2.7 billion as at 31 December 2013.

The Reviewer also stated that it did not receive responses from the relevant banks on confirmation requests for most of the bank balances as at 31 December 2012, 2013 and 2014 and that the extent of work performed by the Reviewer on tracing bank transactions to supporting records was constrained due to unavailability of related financial documents and records as a result of the Accident.

The Reviewer concluded that it was unable to identify the cause or causes for the Bank Balances Discrepancies and particulars of these discrepancies.

The Company further announced on 9 April 2018 that (i) the Commission had not received from the Company any submission or representation which could satisfactorily explain the Bank Balances Discrepancies; (ii) the Company was currently seeking professional advice in respect of the said findings and conclusion of the Reviewer with a view to addressing the Commission's concerns on the Bank Balances Discrepancies; and (iii) further announcement will be made by the Company as appropriate and when appropriate.

As disclosed in Note 3(i) to the consolidated financial statements, in December 2017, the Group had commenced taking steps to further investigate the Bank Balances Discrepancies. As at the date of this report, these investigation works of the Group are still in progress and no conclusive result was drawn in respect of the findings and conclusion of the Reviewer.

Under the circumstances as described above, we have not been able to obtain sufficient appropriate audit evidence to enable us to assess the effects of the matters to which the Bank Balances Discrepancies, investigations on the Bank Balances Discrepancies and the Accident relate.

Further, given the loss of books and records of the Relevant PRC Subsidiaries in relation to the Damaged Documents and the inability of the Group to retrieve or reconstruct them, the directors of the Company had prepared the consolidated financial statements of the Group for the year ended 31 December 2015 by using the figures shown in the management accounts of the Relevant PRC Subsidiaries even though the Group did not have the necessary information and supporting books and records and evidences about the transactions and account balances of the Relevant PRC Subsidiaries for inclusion of these entities in the consolidated financial statements of the Group for the year ended 31 December 2015. The closing balances as at 31 December 2015 of the assets and liabilities of the Relevant PRC Subsidiaries entered into the determination of the financial performance and cash flows of the Relevant PRC Subsidiaries for the subsequent financial year and have carry forward effects on the closing balances of assets and liabilities of the Relevant PRC Subsidiaries as at the end of the subsequent financial year. Similarly, the determination of the financial performances and cash flows of the Relevant PRC Subsidiaries and their closing balances of assets and liabilities for and as at the end of the subsequent financial years, including the financial years ended and as at 31 December 2019 and 2018, may be affected by the effects of these matters in the same ways. Hence the effects of these matters on the financial performance and cash flows of the Relevant PRC Subsidiaries for the years ended 31 December 2019 and 2018 and on the closing balances of assets and liabilities of the Relevant PRC Subsidiaries as at 31 December 2019 and 2018 remain unresolved.

Basis for Disclaimer of Opinion (Continued)

(a) *Discrepancies in the bank balances as at 31 December 2012 and 2013 and loss of accounting records (Continued)*

During the year ended 31 December 2019, Beijing Epure Environment Engineering Co., Ltd (北京伊普環境工程有限公司) and Beijing Epure Sound Environmental Engineering Technology Co., Ltd (北京伊普桑德環境工程技術有限公司), included in the Relevant PRC Subsidiaries, were deregistered. No gain or loss was recognised in the consolidated financial statements on deregistration of these two subsidiaries.

The amounts of the assets, liabilities, revenue, income, expenses and cash flows of the Relevant PRC Subsidiaries that have been included in the consolidated financial statements of the Group are disclosed in Note 3(i) to the consolidated financial statements. As can be seen from the disclosure note, many elements in the consolidated financial statements for the years ended 31 December 2019 and 2018 may be materially affected by the Bank Balances Discrepancies, Accident and the Damaged Documents for the reasons described above.

There were no alternative audit procedures that we could perform to obtain sufficient appropriate audit evidence as to the causes and/or effects of the Bank Balances Discrepancies, Accident and the Damaged Documents and their implications and impacts on all the elements (including all balances of assets and liabilities and all amounts of revenue, income and expenses) presented in the consolidated financial statements of the Group for the year ended 31 December 2019 and the comparative figures presented in these consolidated financial statements, including all information disclosed in the notes to the consolidated financial statements. No adjustments have been made in the consolidated financial statements of the Group in respect of the Bank Balances Discrepancies. We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves regarding (i) whether problematic transactions and balances that caused the Bank Balances Discrepancies had been completely identified by the directors of the Company and appropriately reflected in the Group's consolidated financial statements for the respective financial years to which they relate; (ii) the nature and validity of the problematic transactions and balances and the reasons why they arose; (iii) whether there were any contingent liabilities arising from the problematic transactions and balances; and (iv) whether there were any problematic transactions and balances involving related parties but which had not been previously identified by the directors of the Company.

The scope limitations described above also impact on our ability to determine the reliability of the management representations received by us and relied upon for our audit testing purposes and hence of the audit evidence in general.

In view of the scope limitations, we have been unable to obtain sufficient appropriate audit evidence to evaluate the possible effects of the matters described above. Any adjustments found to be necessary may have a consequential significant impact on the elements and relevant disclosures thereof in the consolidated financial statements for the year ended 31 December 2019 and the comparative figures for the preceding financial year, including the gain or loss on deregistration of subsidiaries for the year ended 31 December 2019 and hence on the net assets of the Group as at 31 December 2019 and 2018 and the loss, total comprehensive loss and cash flows for the years then ended.

Basis for Disclaimer of Opinion (Continued)

(b) *Opening balances and comparative information*

The opening balances as at 1 January 2019 and corresponding figures in respect of the year ended 31 December 2018 presented and disclosed in the consolidated financial statements as comparative figures are based on the figures presented and disclosed in the consolidated financial statements of the Group for the year ended 31 December 2018, in respect of which we expressed a disclaimer of opinion in our auditors' report dated 20 May 2019. The matters which resulted in us expressing the disclaimer of opinion are described in the respective paragraphs in this "Basis for Disclaimer of Opinion" section. Therefore, the corresponding figures shown in the consolidated financial statements may not be comparable with the current year's figures and furthermore, any adjustments to the opening balances at 1 January 2019 would have consequential effects on the consolidated loss, other comprehensive loss and cash flows of the Group for the year ended 31 December 2019 and/or the net assets of the Group as at 31 December 2019 and the other elements and related disclosures thereof in the consolidated financial statements.

(c) *Recoverability and validity of trade receivables, amounts due from customers for contract work and other receivables and validity of related revenue and income recognised*

As disclosed in Notes 25 and 27 to the consolidated financial statements, the Group has trade receivables, amounts due from customers for contract work and other receivables with net carrying amount of approximately RMB2,043,391,000, RMB2,192,403,000 and RMB4,245,263,000 respectively as at 31 December 2019 and approximately RMB3,186,101,000, RMB2,056,798,000 and RMB4,749,482,000 respectively as at 31 December 2018. As of the date of this report, (i) trade receivables with gross carrying amounts as at 31 December 2019 of approximately RMB728,504,000, RMB586,013,000 and RMB1,813,087,000 which were recognised by the Group on or before 31 December 2017 and during the years ended 31 December 2018 and 2019 respectively were still outstanding and remained unsettled, (ii) amounts due from customers for contract work with gross carrying amounts as at 31 December 2019 of approximately RMB1,063,204,000, RMB206,912,000 and RMB1,009,622,000 which were recognised by the Group on or before 31 December 2017 and during the years ended 31 December 2018 and 2019 respectively were still outstanding and no progress billings had been subsequently issued, and (iii) other receivables with gross carrying amounts as at 31 December 2019 of approximately RMB229,639,000, RMB2,153,056,000 and RMB1,852,479,000 which were recognised by the Group on or before 31 December 2017 and during the years ended 31 December 2018 and 2019 respectively were still outstanding and remained unsettled.

In addition, included in other receivables as at 31 December 2019 and 2018 were (i) bills receivable of approximately RMB99,000 and RMB3,983,000 respectively; (ii) advance payments to suppliers and subcontractors of approximately RMB2,161,966,000 and RMB2,398,981,000 respectively; (iii) bid and compliance deposits of approximately RMB80,501,000 and RMB73,487,000 respectively; (iv) deposits for lease liabilities/obligations under finance leases of approximately RMB14,546,000 and RMB23,295,000 respectively; (v) service concession receivables of approximately RMB595,630,000 and RMB843,847,000 respectively; and (vi) others of approximately RMB1,392,521,000 and RMB1,405,889,000 respectively, including (1) receivables which arose from payments to third parties of approximately RMB491,797,000 and RMB286,676,000 as at 31 December 2019 and 2018 respectively, and (2) receivables which arose from structured deposits of RMB500,000,000 placed by the Group in a commercial bank in the PRC during the year ended 31 December 2018. We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves relating to the payments to the corresponding counter parties that gave rise to the recognition of these other receivables as to (i) the identities of those parties and the fact that they were not related parties of the Group in accordance with IAS 24 "Related Party Disclosures"; (ii) the nature of the payments to those parties; and (iii) the validity of the commercial terms arrived at in the payments to those parties. We were also unable to obtain sufficient appropriate audit evidence to support the nature, existence and recording accuracy of these balances as at 31 December 2019 and 2018 and the classification and measurement of the structured deposits under IFRS 9 "Financial Instruments" as at 31 December 2018. Therefore, we were unable to satisfy ourselves as to whether the carrying amounts and the classification of these other receivables as at 31 December 2019 and 2018 were free from material misstatement.

Basis for Disclaimer of Opinion (Continued)

(c) *Recoverability and validity of trade receivables, amounts due from customers for contract work and other receivables and validity of related revenue and income recognised (Continued)*

Further, the Group has recognised allowance for expected credit loss on these trade receivables, amounts due from customers for contract work and other receivables (excluding service concession receivables which are described in paragraph (g) herein) of approximately RMB896,507,000, RMB86,281,000 and RMB1,115,252,000 respectively for the year ended 31 December 2019 and RMB4,780,000, reversal of RMB1,012,000 and RMB9,316,000 respectively for the year ended 31 December 2018. We were not provided with sufficient documentary evidence by the management of the Group on the methodology, basis of assumptions and inputs adopted in the impairment assessments of these trade receivables, amounts due from customers for contract work and other receivables for the years ended 31 December 2019 and 2018. We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of these trade receivables, amounts due from customers for contract work and other receivables outstanding as at 31 December 2019 and 2018 and the adequacy of the allowances for expected credit loss on these assets as at and for the years ended 31 December 2019 and 2018 described in the foregoing.

Also, we were not provided with sufficient appropriate supporting documents, including sales invoices and complete sets of related sales documents issued in respect of the revenue, in relation to revenue from engineering, procurement and construction contracts, revenue from sale of equipment, operating and maintenance income and design service recognised in consolidated profit or loss amounting to approximately RMB1,292,489,000, Nil, RMB947,540,000 and RMB117,144,000 respectively recognised during the year ended 31 December 2019 and approximately RMB2,304,570,000, RMB8,630,000, RMB1,153,411,000 and RMB7,813,000 respectively recognised during the year ended 31 December 2018 which were related to the trade receivables and amounts due from customers for contract work as at 31 December 2019 and 2018 which were recorded during the years stated above.

During the years ended 31 December 2019 and 2018, the Group recognised government grants in respective of construction operations of approximately RMB996,000 and RMB9,061,000 respectively. We were not provided with sufficient documentary evidence by the management of the Group, including the government approval letters and complete sets of related documents, to satisfy ourselves about the nature of the grants and all the conditions attached to them were complied by the Group at the date of recognition.

In view of the scope limitations disclosed above, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the net carrying amounts of trade receivables, amounts due from customers for contract work and other receivables as at 31 December 2019 and 2018 and related revenue, government grants, expense and allowance for expected credit loss in respect of the trade receivables, amounts due from customers for contract work and other receivables recognised in the consolidated financial statements for the years then ended were free from material misstatements. There were no practicable alternative audit procedures that we could perform to satisfy ourselves as to whether the amounts reported in the consolidated financial statements for these and other related elements were free from material misstatement, whether due to fraud or otherwise. Any adjustments found to be necessary to these matters may have a consequential significant impact on the net assets of the Group as at 31 December 2019 and 2018 and the loss, total comprehensive loss and cash flows of the Group for the years then ended, and the other elements and related disclosures thereof in the consolidated financial statements.

Basis for Disclaimer of Opinion (Continued)

(d) *Property, plant and equipment*

As disclosed in Note 17 to the consolidated financial statements, as at 31 December 2019, the Group has property, plant and equipment (including right-of-use assets) with net carrying amount of approximately RMB278,697,000. However, no impairment assessment was carried out by the management of the Group to determine the recoverable amount of the property, plant and equipment as at 31 December 2019.

In view of the scope limitations disclosed above, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the net carrying amount of the property, plant and equipment as at 31 December 2019 and no impairment loss recognised for the year then ended were free from material misstatements. There were no practicable alternative audit procedures that we could perform to satisfy ourselves as to whether the amounts reported in the consolidated financial statements for these and other related elements were free from material misstatement, whether due to fraud or otherwise. Any adjustments found to be necessary to these matters may have a consequential significant impact on the net assets of the Group as at 31 December 2019 and the loss, total comprehensive loss and cash flows of the Group for the year then ended, and the other elements and related disclosures thereof in the consolidated financial statements.

(e) *Right-of-use assets and lease liabilities/obligations under finance lease and related finance costs recognised*

As disclosed in Notes 17 and 31 to the consolidated financial statements, as at 31 December 2019, the Group has right-of-use assets and lease liabilities with net carrying amounts of approximately RMB70,029,000 and RMB977,623,000 respectively and as at 31 December 2018, the Group has obligations under finance lease with net carrying amounts of approximately RMB1,335,992,000. As disclosed in Note 10 to the consolidated financial statements, the Group has recognised interest expenses on lease liabilities/obligations under finance lease of approximately RMB41,832,000 and RMB170,827,000 during the years ended 31 December 2019 and 2018 respectively. We were not provided with sufficient documentary evidence by the management of the Group including rental agreements to verify the terms of the leases, the basis of determination of the incremental borrowing rates applied in the calculation of right-of-use assets and lease liabilities and the relevant interest expenses recognised. Further, the Group has recognised expense relating to short-term leases with lease terms ending within 12 months of approximately RMB3,858,000 during the year ended 31 December 2019. We were not provided with sufficient documentary evidence by the management of the Group including rental agreements to verify the terms of these short-term leases. Also, no assessment on the recognition and measurement of sales and leaseback transactions upon adoption of IFRS 16 "Leases" have been provided by the management of the Group.

In view of the scope limitations disclosed above, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves to as to whether the effect on initial application of IFRS 16 on 1 January 2019, the interest expenses on lease liabilities and expense relating to short-term leases with lease terms end within 12 months recognised for the year ended 31 December 2019, interest expenses on obligations under finance lease for the year ended 31 December 2018, the carrying amounts of right-of-use assets, assets held under sale and leaseback transactions classified as property, plant and equipment of approximately RMB33,471,000 (Note 17) included in right-of-use assets, intangible assets of approximately RMB205,800,000 (Note 18) and services concession receivables of approximately RMB1,070,766,000 (Note 22) and lease liabilities as at 31 December 2019 and the carrying amount of obligations under finance lease as at 31 December 2018 were free from material misstatements. There were no practicable alternative audit procedures that we could perform to satisfy ourselves as to whether the amounts reported in the consolidated financial statements for these and other related elements were free from material misstatement, whether due to fraud or otherwise. Any adjustments found to be necessary to these matters may have a consequential significant impact on the net assets of the Group as at 31 December 2019 and 2018, the loss, total comprehensive loss and cash flows of the Group for the years then ended, and the other elements and related disclosures thereof in the consolidated financial statements.

Basis for Disclaimer of Opinion (Continued)

(f) Intangible assets and the related revenue recognised

As disclosed in Note 18 to the consolidated financial statements, as at 31 December 2019 and 2018, the Group has intangible assets with gross carrying amounts of approximately RMB955,776,000 and RMB954,069,000 respectively relating to operating concession rights which accumulated amortisation and impairment of approximately RMB213,521,000 and RMB173,975,000 have been recognised as of these dates respectively. During the years ended 31 December 2019 and 2018, the Group has recognised amortisation of intangible assets in consolidated profit or loss of approximately RMB39,546,000 and RMB21,665,000 respectively and no impairment loss has been recognised in both years. However, no impairment assessment was carried out by the management of the Group to determine the recoverable amount of the intangible assets as at 31 December 2019. We were unable to perform site visits and observe the build-operate-transfer ("**BOT**") projects and we were not provided with sufficient documentary evidence by the management of the Group to verify the operating and construction progress of the BOT projects.

In addition, the operating concession rights held by Shanxian Huadu Water Co., Ltd (單縣華都水務有限公司) with gross carrying amount of approximately RMB117,755,000 has been fully written down in respect of the entire balance of the carrying amount as at 31 December 2017 as the management of the Group was of the opinion that the carrying amount of this operating concession right as at 31 December 2017 was irrecoverable. Also, no impairment assessment was carried out by the management of the Group to calculate the recoverable amount of this operating concession right as at 31 December 2019 and 2018. Further, we were not provided with sufficient documentary evidence by the management of the Group to verify the bases for the initial recognition of this operating concession right at its initial carrying amount of approximately RMB117,755,000 which was supposed to represent both its fair value as at initial recognition and fair value of consideration for construction services carried out by the Group.

In view of the scope limitations described above, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the gross carrying amount and accumulated amortisation and impairment of the intangible assets as at 31 December 2019 and 2018 and the related operating and maintenance income, amortisation on the intangible assets and no impairment loss recognised on the intangible assets for the years then ended were free from material misstatements. There were no practicable alternative audit procedures that we could perform to satisfy ourselves as to whether the amounts reported in the consolidated financial statements for these and other related elements were free from material misstatement, whether due to fraud or otherwise. Any adjustments found to be necessary to these matters may have a consequential significant impact on the net assets of the Group as at 31 December 2019 and 2018 and the loss, total comprehensive loss and cash flows of the Group for the years then ended, and the other elements and related disclosures thereof in the consolidated financial statements.

Basis for Disclaimer of Opinion (Continued)

(g) *Service concession receivables and related revenue and income recognised*

As disclosed in Note 22 to the consolidated financial statements, as at 31 December 2019 and 2018, the Group has service concession receivables with net carrying amount of approximately RMB11,340,573,000 and RMB10,938,736,000 respectively and during the years ended 31 December 2019 and 2018, the Group recognised (i) construction revenue related to as service concession receivables of approximately RMB600,332,000 and RMB854,379,000 respectively, (ii) imputed interest income on service concession receivables of approximately RMB421,241,000 and RMB481,273,000 respectively, (iii) government grants in respective of service concession operations of approximately RMB28,807,000 and RMB47,415,000 respectively and (iv) impairment loss on services concessions receivables of approximately RMB467,549,000 and RMB1,107,433,000 respectively to write down the carrying amounts of 63 and 31 operating concessions rights held by the Group to operate sewage and water treatment plants as at 31 December 2019 and 2018 respectively, as the management of the Group was of the opinion that the carrying amounts of these operating concession rights as at 31 December 2019 and 2018 were irrecoverable. The aggregate net carrying amounts of these service concession receivables as at 31 December 2019 and 2018 were approximately RMB6,457,194,000 and RMB2,832,817,000 respectively. In addition, an expected credit loss of approximately RMB1,270,000 was reversed during the year ended 31 December 2019 and approximately RMB760,000 was recognised during the year ended 31 December 2018. We were unable to perform site visits and observe the BOT projects and we were not provided with sufficient documentary evidence by the management of the Group to verify the operating and construction progress of the BOT projects. We were also not provided with sufficient documentary evidence by the management of the Group on the methodology, basis of assumptions and inputs adopted in the (i) application of the effective interest method for the calculations related to these service concession receivables, including the recognition of the related construction revenue that led to the initial recognition of the service concession receivables, operating and maintenance income of the BOT projects and imputed interest income on service concession receivables of the BOT projects and (ii) impairment assessments that have been carried out by the management of Group and the calculation of the recoverable amounts of the service concession receivables for the years ended 31 December 2019 and 2018. We were also not provided with sufficient documentary evidence by the management of the Group, including the government approval letters and complete sets of related documents, to satisfy ourselves about the nature of the grants and all the conditions attached to them were complied by the Group at the date of recognition.

In view of the scope limitations disclosed above, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the net carrying amounts of the service concession receivables as at 31 December 2019 and 2018 and the related construction revenue, operating and maintenance income, imputed interest income on service concession receivables, government grants and impairment loss recognised on service concession receivables for the years then ended were free from material misstatements. There were no practicable alternative audit procedures that we could perform to satisfy ourselves as to whether the amounts reported in the consolidated financial statements for these and other related elements were free from material misstatement, whether due to fraud or otherwise. Any adjustments found to be necessary to these matters may have a consequential significant impact on the net assets of the Group as at 31 December 2019 and 2018 and the loss, total comprehensive loss and cash flows of the Group for the years then ended, and the other elements and related disclosures thereof in the consolidated financial statements.

Basis for Disclaimer of Opinion (Continued)

(h) Financial assets at fair value through profit or loss

As disclosed in Note 26 to the consolidated financial statements, as at 31 December 2019, the Group has unlisted equity investments with carrying amount of approximately RMB2,519,000. However, no valuation was carried out by the management of the Group to determine the fair value of the unlisted equity investments as at 31 December 2019. Further, we were not provided with sufficient documentary evidence by the management of the Group to verify the basis of initial recognition of the unlisted equity investments and that the consideration paid by the Group was at fair value.

In view of the scope limitations disclosed above, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as at whether the carrying amount of the unlisted equity investments as at 31 December 2019 and no fair value change of unlisted equity investments recognised for the year then ended were free from material misstatements. There were no practicable alternative audit procedures that we could perform to satisfy ourselves as to whether the amounts reported in the consolidated financial statements for these and other related elements were free from material misstatement, whether due to fraud or otherwise. Any adjustments found to be necessary to these matters may have a consequential significant impact on the net assets of the Group as at 31 December 2019 and the loss, total comprehensive loss and cash flows of the Group for the year then ended, and the other elements and related disclosures thereof in the consolidated financial statements.

(i) Bank balances and borrowings and related interest expenses and interest payables

As disclosed in Notes 28 and 30 to the consolidated financial statements, the Group has bank balances and cash, restricted bank balances and borrowings of approximately RMB387,070,000, RMB28,450,000 and RMB8,859,716,000 respectively as at 31 December 2019, and approximately RMB503,337,000, RMB190,160,000 and RMB9,846,129,000 respectively as at 31 December 2018. We were not provided with sufficient documentary evidence by the management of the Group including loan agreements to verify terms of the borrowings and any breach of covenant of loan agreements as at 31 December 2019 and 2018. Also, there were significant numbers of bank or loan statements which have not been obtained from the relevant banks or lending entities for both years. Included in bank balances, restricted bank balances and borrowings with balances of approximately RMB91,173,000, RMB27,449,000 and RMB6,819,255,000 respectively as at 31 December 2019 and approximately RMB118,840,000, RMB1,460,000 and RMB2,856,341,000 respectively as at 31 December 2018 for which no direct confirmation were received by us. We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the completeness, existence and accuracy of these balances as at the end of the reporting periods and whether there were other bank balances which were restricted. Further, we were unable to obtain sufficient appropriate audit evidence to support the accuracy of the interest expenses on borrowings charged for the years ended 31 December 2019 and 2018 of approximately RMB337,326,000 and RMB323,111,000 respectively and the interest payables on borrowings of approximately RMB260,373,000 and RMB 277,213,000 respectively as of these dates.

Further, we were unable to obtain direct confirmation from the respective counterparty in respect of the repayment installments of approximately RMB161,029,000 and RMB122,265,000 respectively of the principals and interests of secured bonds whose carrying amounts amounted to approximately RMB693,915,000 and RMB737,600,000 as at 31 December 2019 and 2018 respectively withheld by the bonds manager which were classified as other receivables (Note 25).

In view of the scope limitations described above, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the carrying amounts of the bank balances and cash, restricted bank balances, borrowings, installment withheld by bonds manager and interest payables as at 31 December 2019 and 2018 and the interest expenses for the years then ended were free from material misstatement. There were no practicable alternative audit procedures that we could perform to satisfy ourselves as to whether the amounts reported in the consolidated financial statements for these and other related elements were free from material misstatement, whether due to fraud or otherwise. Any adjustments found to be necessary to these matters may have a consequential significant impact on the net assets of the Group as at 31 December 2019 and 2018 and the loss, total comprehensive loss and cash flows of the Group for the years then ended, and the other elements and related disclosures thereof in the consolidated financial statements.

Basis for Disclaimer of Opinion (Continued)

(j) *Inventories*

As disclosed in Note 24 to the consolidated financial statements, as at 31 December 2019 and 2018, the Group has inventories of approximately RMB573,706,000 and RMB449,858,000 respectively. We were unable to perform site visits and observe the counting of physical inventories as at 31 December 2019 and 2018. We were unable to satisfy ourselves by alternative means concerning the inventory quantities held as at 31 December 2019 and 2028 which are stated in the statements of financial position. Also, no impairment assessment was carried out by the management of the Group to ensure the inventories as at 31 December 2019 and 2018 were measured at lower of cost and net realisable value.

Further, included in work in progress as at 31 December 2019 and 2018 are approximately RMB495,890,000 and RMB387,437,000 respectively of construction costs which were recorded as additional construction works performed by the Group as per requisition from customers. However, the relevant additional contract prices were not yet agreed and approved by the customers and no requisition orders have been obtained by the Group in relation to these requisitions. We were unable to obtain sufficient appropriate audit evidence to support the occurrence, validity and commercial substance of these construction costs incurred as at the end of the reporting periods.

In view of the scope limitations described above, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the carrying amount of inventories as at 31 December 2019 and 2018 and the related cost of sales and no impairment loss on inventories recognised for the years then ended were free from material misstatement. There were no practicable alternative audit procedures that we could perform to satisfy ourselves as to whether the amounts reported in the consolidated financial statements for these and other related elements were free from material misstatement, whether due to fraud or otherwise. Any adjustments found to be necessary to these matters may have a consequential significant impact on the net assets of the Group as at 31 December 2019 and 2018 and the loss, total comprehensive loss and cash flows of the Group for the years then ended, and the other elements and related disclosures thereof in the consolidated financial statements.

(k) *Trade and other payables and related cost of sales and other expenses*

As disclosed in Note 29 to the consolidated financial statements, as at 31 December 2019 and 2018, the Group has trade and other payables of approximately RMB7,766,036,000 and RMB5,709,796,000 respectively. There are various litigations in the PRC claiming for the Group's settlement on the overdue trade and other payables which are in progress up to the date of approval of the consolidated financial statements. However, no information regarding the status of these litigations, full list of litigations or balances of payables which were still outstanding and remained unsettled was provided by the management of the Group. In addition, included in other payables as at 31 December 2019 and 2018 were (i) amounts due to third parties of approximately RMB604,027,000 and RMB101,763,000 respectively; and (ii) amounts due to Tianjin Sound Engineering and Tianjin Sound Water of approximately RMB1,386,581,000 and Nil respectively. We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves relating to the amounts due to these third parties, Tianjin Sound Engineering and Tianjin Sound Water as to (i) the identities of those parties and the fact that they were not related parties of the Group in accordance with IAS 24; (ii) the nature of the amounts due to those parties; and (iii) the validity of the commercial terms arrived at in the amounts due to those parties.

Basis for Disclaimer of Opinion (Continued)

(k) *Trade and other payables and related cost of sales and other expenses (Continued)*

Further, we were not provided with sufficient appropriate supporting documents, including purchase invoices and complete sets of related purchase and expenses documents received in respect of the cost of sales, distribution and selling expenses, research and development expenses and administrative expenses recognised in consolidated profit or loss amounting to approximately RMB1,926,656,000, RMB43,841,000, RMB33,806,000 and RMB185,159,000 respectively recognised during the year ended 31 December 2019 and approximately RMB2,993,939,000, RMB81,620,000, RMB41,664,000 and RMB846,229,000 respectively during the year ended 31 December 2018 and in relation to the respective trade and other payables which were recorded during the years stated above to support the validity and existence of these trade and other payables.

In view of the scope limitations disclosed above, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the carrying amounts of trade and other payables as at 31 December 2019 and 2018 and the cost of sales, distribution and selling expenses, research and development expenses and administrative expenses recognised in the consolidated financial statements for the years then ended were free from material misstatements. There were no practicable alternative audit procedures that we could perform to satisfy ourselves as to whether the amounts reported in the consolidated financial statements for these and other related elements were free from material misstatement, whether due to fraud or otherwise. Any adjustments found to be necessary to these matters may have a consequential significant impact on the net assets of the Group as at 31 December 2019 and the loss, total comprehensive loss and cash flows of the Group for the years then ended, and the other elements and related disclosures thereof in the consolidated financial statements.

(l) *Income tax and deferred taxation*

As disclosed in Notes 11, 23 and 29 to the consolidated financial statements, during the year ended 31 December 2019, the Group has recognised PRC income tax expense for the year and deferred tax charges of approximately RMB62,998,000 and RMB106,295,000 respectively and, as of that date, the Group had income tax payables, other tax payables, deferred tax assets and deferred tax liabilities of approximately RMB130,365,000, RMB73,711,000, Nil and RMB536,565,000 respectively. During the year ended 31 December 2018, the Group has recognised PRC income tax expense for the year and deferred tax charges of approximately RMB82,354,000 and RMB120,222,000 respectively and, as of that date, the Group had income tax payables, other tax payables, deferred tax assets and deferred tax liabilities of approximately RMB108,934,000, RMB100,187,000, RMB8,869,000 and RMB517,445,000 respectively. We were not provided with sufficient documentary evidence by the management of the Group including income tax computation, tax filings and the calculation of deferred tax assets and liabilities. Hence we were unable to obtain sufficient appropriate audit evidence regarding the accuracy and adequacy of these tax expenses and the valuation of the income tax payables, other tax payables and deferred tax assets and liabilities.

In view of the scope limitations disclosed above, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the carrying amounts of income tax payables, other tax payables, deferred tax assets and deferred tax liabilities as at 31 December 2019 and 2018 and income tax and other taxes recognised in the consolidated financial statements for the years then ended were free from material misstatements. There were no practicable alternative audit procedures that we could perform to satisfy ourselves as to whether these account balances and amounts reported were free from material misstatements, whether due to fraud or otherwise. Any adjustments found to be necessary to these matters may have a consequential significant impact on the net assets of the Group as at 31 December 2019 and 2018 and the loss, total comprehensive loss and cash flows of the Group for the years then ended, and the other elements and related disclosures thereof in the consolidated financial statements.

Basis for Disclaimer of Opinion (Continued)

(m) Events after the reporting period

No sufficient information of the Group after the end of the reporting period have been provided by the management of the Group to us. We have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the completeness of the events and transactions after the reporting period of the Group as disclosed in Note 42 to the consolidated financial statements. There were no practicable alternative audit procedures that we could perform to satisfy ourselves as to whether there had occurred significant events or transactions during the period from 1 January 2020 to the date of this auditors' report which require disclosure in or adjustments to the consolidated financial statements. Any undisclosed or unadjusted events found to have occurred during this intervening period may have a consequential significant impact on the balances presented for the elements in the consolidated financial statements for the year ended 31 December 2019 and hence on the net assets of the Group as at 31 December 2019 and the loss, total comprehensive loss and cash flows of the Group for the year then ended or on the fair presentation of these net assets and loss and the other elements and related disclosures thereof in the consolidated financial statements.

*(n) Non-compliance with accounting and disclosure requirements of IFRSs and the relevant requirements of Rules Governing the Listing of Securities on the HKEx (the "**Listing Rules**")*

(i) As disclosed in Note 35(e) to the consolidated financial statements, during the year ended 31 December 2016, the Group entered into a series of agreements with Ningbo Meishan Bonded Port Jinxin Tairun Investment Partnership (Limited Partnership) (寧波梅山保稅港區金信泰潤投資合夥企業(有限合夥)) ("**Jinxin Tairun**") and Sound Group Limited ("**Sound Group**") whereby the Group borrowed in aggregate RMB871,850,000 from Jinxin Tairun for a duration of five years. Pursuant to the agreements with Jinxin Tairun and Sound Group, the Group pledged 70% equity interests of five subsidiaries (the "**Five Subsidiaries**") to Jinxin Tairun. In addition, the Group disposed of 30% equity interests of the Five Subsidiaries to Jinxin Tairun for a total consideration of RMB84,150,000, which represented 30% of the carrying amounts of the net assets of the Five Subsidiaries. The disposal was recorded as transaction with non-controlling interests in the consolidated statement of changes in equity. Upon maturity of the loans from Jinxin Tairun, Sound Group shall buy the 30% equity interests of the Five Subsidiaries from Jinxin Tairun at a premium over the total consideration received by the Group for the disposal of the equity interests. During the year ended 31 December 2016, the Group also entered into a series of agreements with Jinxin Tairun whereby the Group borrowed RMB200,000,000 from Jinxin Tairun for a duration of five years. Pursuant to the agreements with Jinxin Tairun, the Group pledged the charging rights of Zhaodong Sound Water Co., Ltd (肇東桑德水務有限公司) ("**Zhaodong Sound**") under the service concession contract (these loans collectively referred to as the "**Transactions**"). Jinxin Tairun is a limited partnership registered under the Partnership Enterprise Law of the People's Republic of China. Sound Group is a fellow subsidiary of the Company and Sound Group was also (i) directly held 33.304% of the equity interests in Jinxin Tairun as a limited partner and (ii) directly held 20% equity interests in Jiaxing Sangzi Equity Investment Management Co., Ltd (嘉興桑梓股權投資管理有限公司) ("**Jiaxing Sangzi**") which directly held 0.044% of the equity interests in Jinxin Tairun as an unlimited partner. A key management of the Group was a legal representative and executive director of Jiaxing Sangzi since its incorporation and up to 14 December 2017. During the year ended 31 December 2019, the Group acquired the entire equity interest of Jiaxing Sangzi, details of which are described in Note 34(a) to the consolidated financial statements. As at the date of acquisition of Jiaxing Sangzi, Jiaxing Sangzi held 0.036% of the equity interests in Jinxin Tairun as an unlimited partner. We were not provided with sufficient appropriate audit evidences on the identity of Jinxin Tairun and there were no practicable alternative audit procedures that we could perform to assess whether the Transactions entered into by the Group with Jinxin Tairun and involving Sound Group were related party transactions and whether the outstanding balances as at 31 December 2019 and 2018 were related party balances and hence whether there had been non-compliance with the disclosure requirements of IAS 24 in respect of related party transactions and balances. Further, we were not provided with sufficient appropriate audit evidences to satisfy ourselves as to the validity of the commercial terms, including the consideration of RMB84,150,000, for the disposal of the 30% equity interests in the Five Subsidiaries. In addition, for the same reasons, we were also unable to assess whether the Transactions entered into by the Group resulted in any non-compliance with the Listing Rules, including the disclosure requirements and the shareholders' approval requirements under Chapter 14 "Notifiable Transactions" and Chapter 14A "Connected Transactions" under the Listing Rules.

Basis for Disclaimer of Opinion (Continued)

*(n) Non-compliance with accounting and disclosure requirements of IFRSs and the relevant requirements of Rules Governing the Listing of Securities on the HKEx (the "**Listing Rules**") (Continued)*

(ii) As disclosed in Note 3(iv) to the consolidated financial statements, during the year ended 31 December 2016, the Group has acquired 70% equity interests of Zhongye Zhengyi Group Co., Ltd (中冶正益集團有限公司) (subsequently known as "Sound Construction Group Co., Ltd" (桑德建設集團有限責任公司) and now known as "Zhejiang Yinghe Construction Group Co., Ltd" (浙江營合建設集團有限公司)) ("**Zhongye Zhengyi**") and its subsidiaries (collectively referred to as the "**Zhongye Zhengyi Group**") at a consideration of RMB30,000,000. During the year ended 31 December 2018, the Group further acquired 30% equity interest of Zhongye Zhengyi at zero consideration. In 2021, the Group disposed the entire equity interests of Zhongye Zhengyi to third parties at total cash consideration of RMB1. Upon completion of the disposal, the Zhongye Zhengyi Group ceased to be subsidiaries of the Group. The directors of the Company have asserted that subsequent to the acquisition of Zhongye Zhengyi and up to the date of this report, they have been unable to gain access to the books and records of the Zhongye Zhengyi Group (the "**Zhongye Zhengyi Issue**"). Given these circumstances, the directors of the Company have been unable to consolidate, and hence have not consolidated, the financial statements or accounts of the Zhongye Zhengyi Group into the consolidated financial statements of the Group with effect from the date of acquisition of the Zhongye Zhengyi Group. As a result of the non-consolidation of the Zhongye Zhengyi Group, no non-controlling interests in the identifiable net assets of the Zhongye Zhengyi Group has been measured or recognised at the date of acquisition and no non-controlling interests in respect of their share of the results and equity movements of the Zhongye Zhengyi Group has been recognised in the consolidated statements of profit or loss and other comprehensive income and changes in equity during the years ended 31 December 2019 and 2018. In addition, an impairment loss in respect of the investment in Zhongye Zhengyi of RMB30,000,000 was recognised for the year ended 31 December 2016. This accounting treatment of cost less impairment, instead of consolidation, is a departure from the requirements of IFRS 10 "Consolidated Financial Statements" which requires all subsidiaries controlled by the Company and its subsidiaries to be included in the consolidated financial statements. Under IFRS 10, the Company should have consolidated the Zhongye Zhengyi Group in its consolidated financial statements for the years ended 31 December 2019 and 2018 with effect from the date of acquisition of the Zhongye Zhengyi Group. Had the Zhongye Zhengyi Group been consolidated, many elements in the consolidated financial statements for the years ended 31 December 2019 and 2018 might have been materially affected. Furthermore, a goodwill or bargain purchase gain would have arisen from the purchase price allocation of consideration for the acquisition of the Zhongye Zhengyi Group to the fair values of identifiable assets and liabilities of the Zhongye Zhengyi Group as at the acquisition date, as required by IFRS 3 "Business Combinations" and impairment loss would be recognised on the goodwill and assets of the Zhongye Zhengyi Group based on impairment assessments carried out in accordance with IAS 36 "Impairment of Assets". Also, non-controlling interests in the Zhongye Zhengyi Group would have been measured at the date of acquisition and the results of the Zhongye Zhengyi Group would have been allocated to the non-controlling interests during the years ended 31 December 2019 and 2018.

Basis for Disclaimer of Opinion (Continued)

*(n) Non-compliance with accounting and disclosure requirements of IFRSs and the relevant requirements of Rules Governing the Listing of Securities on the HKEx (the "**Listing Rules**") (Continued)*

(ii) (continued)

However, because of the insufficient financial information of the Zhongye Zhengyi Group made available to us, as stated above, we have not been able to obtain sufficient appropriate audit evidence to enable us to assess the effects of these matters. Accordingly, the effects on the consolidated financial statements of the failure to consolidate the Zhongye Zhengyi Group and to recognise and allocate the non-controlling interests and of the failure to carry out purchase price allocation could not be determined. We have also been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to (i) the validity of the cost of the investment in Zhongye Zhengyi on initial recognition of RMB30,000,000 and subsequent acquisition of Nil; (ii) the identity of the vendor of Zhongye Zhengyi and the fact that the vendor was not related to the related parties of the Group in accordance with IAS 24; and (iii) the validity of the commercial terms arrived at in acquiring the equity interests of Zhongye Zhengyi. Further, no impairment assessment was performed on the recoverability of the cash generating unit represented by Zhongye Zhengyi and its subsidiaries and hence we were unable to be satisfied as to the recoverable amount of the cash generating unit as at 31 December 2019 and 2018 and as to the appropriateness of the non-recognition of any impairment loss in the consolidated statement of profit or loss for the years ended 31 December 2019 and 2018. Any adjustments found to be necessary to these matters may have a consequential significant impact on the carrying amounts of assets and liabilities and reserves of the Group insofar as these related to Zhongye Zhengyi and its subsidiaries as at 31 December 2019 and 2018 and impairment loss in relation thereof, and hence on the net assets of the Group as at 31 December 2019 and 2018 and the loss, total comprehensive loss and cash flows for the years then ended, and the other elements and related disclosures thereof in the consolidated financial statements.

Further, as disclosed in Note 3(iv) to the consolidated financial statements, in 2021, Jiaxing Xiuzhou People's Court (嘉興市秀洲區人民法院) issued a ruling on the bankruptcy reorganisation of Zhongye Zhengyi because of Zhongye Zhengyi's inability to repay liabilities and apparent lack of solvency. Zhongye Zhengyi had 185 creditors with liabilities of approximately RMB539,412,000 and accrued salaries and staff benefits of approximately RMB3,055,000. Beijing Sound was one of the guarantors for the loans of Zhongye Zhengyi with principal amounts of approximately RMB47,054,000. It was uncertain that whether the Group has provided any further guarantee on the liabilities of Zhongye Zhengyi as at 31 December 2019. Jiaxing Xiuzhou People's Court approved the reorganisation proposal on 20 October 2021 that the Group disposed the entire equity interest in Zhongye Zhengyi to third parties at total cash consideration of RMB1 and all the liabilities of Zhongye Zhengyi would be settled by assets of Zhongye Zhengyi and the new investor. According to the reorganisation proposal, the Group was one of the creditors of Zhongye Zhengyi with receivables amounted to approximately RMB157,199,000, which would be fully settled by approximately RMB33,815,000. However, because of the insufficient financial information of the Zhongye Zhengyi Group made available to us, as stated above, we have also not been able to obtain sufficient appropriate audit evidence to enable us to assess whether there were any provisions unrecorded or contingent liabilities undisclosed in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

Given the lack of financial information available, there were no practicable alternative audit procedures that we could perform to assess whether the acquisition of the Zhongye Zhengyi Group resulted in any non-compliance with the Listing Rules, including the disclosure requirements and the shareholders' approval requirements under Chapter 14 and Chapter 14A under the Listing Rules.

Basis for Disclaimer of Opinion (Continued)

*(n) Non-compliance with accounting and disclosure requirements of IFRSs and the relevant requirements of Rules Governing the Listing of Securities on the HKEx (the "**Listing Rules**") (Continued)*

(ii) (continued)

In addition, as disclosed in Note 41 to the consolidated financial statements, for the years ended 31 December 2019 and 2018, the Group recorded revenue from engineering, procurement and construction contracts rendered to the Zhongye Zhengyi Group of approximately RMB124,057,000 and RMB252,571,000 respectively and cost of sales arising from construction costs charged by the Zhongye Zhengyi Group of approximately RMB61,399,000 and RMB34,140,000 respectively and as at 31 December 2019 and 2018, the Group's trade receivables due from the Zhongye Zhengyi Group amounted to approximately RMB407,283,000 and RMB409,705,000 respectively, other receivables due from the Zhongye Zhengyi Group amounted to approximately RMB1,262,562,000 and RMB1,267,695,000 respectively, including advances to suppliers and subcontractors, bid and compliance deposits and others which amounted to approximately RMB1,217,262,000, RMB1,200,000 and RMB44,100,000 respectively as at 31 December 2019 and RMB1,224,557,000, Nil and RMB43,138,000 respectively as at 31 December 2018, amounts due from customers for contract work due from the Zhongye Zhengyi Group amounted to approximately RMB81,661,000 and Nil respectively, trade payables due to the Zhongye Zhengyi Group amounted to approximately RMB140,866,000 and RMB107,092,000 respectively and other payables due to the Zhongye Zhengyi Group amounted to approximately RMB16,716,000 and RMB160,000 respectively. The above amounts due from the Zhongye Zhengyi Group were fully impaired as at 31 December 2019. Because the entities comprising the Zhongye Zhengyi Group are subsidiaries of the Group, these transactions and balances of the Group with the Zhongye Zhengyi Group should be eliminated in the consolidated financial statements of the Group for the years ended 31 December 2019 and 2018. The accounting treatment adopted in the consolidated finance statements is a departure from the requirements of IFRS 10 which requires elimination in full of intra-group assets and liabilities, equity, income, expenses and cash flows relating to balances and transactions between entities of the Group. Further, due to the lack of the complete books and records of the Zhongye Zhengyi Group made available to us, we were unable to perform the necessary audit procedures, including obtaining inter-company confirmations from the Zhongye Zhengyi Group, and there were no practicable alternative audit procedures we could perform under the circumstances, to obtain sufficient appropriate audit evidence to satisfy ourselves about the validity and completeness of the recorded balances with the Zhongye Zhengyi Group as at 31 December 2019 and 2018 and the recorded transactions entered into with the Zhongye Zhengyi Group during the years ended 31 December 2019 and 2018. There were no practicable alternative audit procedures that we could perform to satisfy ourselves as to whether the amounts reported in the consolidated financial statements for these and other related elements were free from material misstatement, whether due to fraud or otherwise. Any adjustments found to be necessary to these matters may have a consequential significant impact on the recorded balances and recorded transactions with the Zhongye Zhengyi Group for the years ended 31 December 2019 and 2018 and on the net assets of the Group as at 31 December 2019 and 2018 and the loss, total comprehensive loss and cash flows for the years then ended, and the other elements and related disclosures thereof in the consolidated financial statements.

Basis for Disclaimer of Opinion (Continued)

*(n) Non-compliance with accounting and disclosure requirements of IFRSs and the relevant requirements of Rules Governing the Listing of Securities on the HKEx (the "**Listing Rules**") (Continued)*

(iii) As disclosed in Note 43(viii) to the consolidated financial statements, during the year ended 31 December 2017, the Group acquired the remaining 20% of the entire issued share capital of Linfen Yiande Water Co., Ltd (臨汾益安德水務有限公司) ("**Linfen Yiande**") from the non-controlling interests at zero consideration. Upon completion of the acquisition of additional interests, Linfen Yiande became a 100% wholly owned subsidiary of the Group.

We were not provided with sufficient appropriate audit evidences to satisfy ourselves as to the validity of the commercial terms, including the zero consideration, for the acquisition of the additional interests. Therefore, we were unable to satisfy ourselves as to whether the amounts presented in the consolidated financial statements of the Group for the year ended 31 December 2017 in relation to the acquisition of the additional equity interest in Linfen Yiande were free from material misstatements. There were no practicable alternative audit procedures that we could perform to satisfy ourselves as to whether the amounts reported in the consolidated financial statements for these and other related elements were free from material misstatement, whether due to fraud or otherwise. Any adjustments found to be necessary to these matters may have a consequential significant impact on the reserve movement presented in the consolidated statement of changes in equity of the Group for the years ended 31 December 2019 and 2018, and hence on the net assets of the Group as at 31 December 2019 and 2018, and the other elements and related disclosures thereof in the consolidated financial statements for the years then ended.

(iv) As disclosed in Note 43(ix) to the consolidated financial statements, during the year ended 31 December 2017, the Group acquired 51% equity interests of Liaoning Qingqian Environmental Protection Engineering Co., Ltd (遼寧清乾環保工程有限公司) ("**Liaoning Qingqian**") at zero consideration. Liaoning Qingqian is principally engaged in construction, management and operation of municipal wastewater projects in the PRC. Upon completion of the acquisition, Liaoning Qingqian became a 51% owned subsidiary of the Company and the acquisition resulted in a gain on bargain purchase of a subsidiary of approximately RMB3,397,000 recognised in the consolidated statement of profit or loss. The Group measured the identifiable assets acquired and the liabilities assumed as at the acquisition date using the carrying amounts as recorded in the accounting records of Liaoning Qingqian. No fair value measurement has been performed by the Group to assess the fair values of the identifiable assets acquired and the liabilities assumed at the date of acquisition. This accounting treatment is a departure from the requirements of IFRS 3 which requires the Group to recognise the identifiable assets of Liaoning Qingqian acquired and the liabilities assumed on the date of acquisition at their acquisition-date fair values. We were unable to perform audit procedures to determine whether the carrying amounts of the identifiable assets acquired and the liabilities assumed at the date of acquisition were significantly different from their fair values as at that date. In addition, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the validity of the commercial terms in arriving at the zero consideration for the acquisition of the 51% equity interests in Liaoning Qingqian and hence the validity of the gain on bargain purchase recognised in the consolidated statement of profit or loss in the year ended 31 December 2017. There were no practicable alternative audit procedures that we could perform to satisfy ourselves as to whether the amounts reported in the consolidated financial statements for these and other related elements were free from material misstatement, whether due to fraud or otherwise. Any adjustments found to be necessary to these matters may have a consequential significant impact on the gain on bargain purchase recognised in the consolidated statement of profit or loss in respect of the acquisition for the year ended 31 December 2017 and the assets and liabilities of Liaoning Qingqian included in the consolidated assets and liabilities of the Group as at 31 December 2019 and 2018 and hence on the loss, total comprehensive loss and cash flows of the Group for the years then ended, and other elements and related disclosures thereof in the consolidated financial statements.

Basis for Disclaimer of Opinion (Continued)

(n) *Non-compliance with accounting and disclosure requirements of IFRSs and the relevant requirements of Rules Governing the Listing of Securities on the HKEx (the "**Listing Rules**") (Continued)*

(v) As disclosed in Note 34(b) to the consolidated financial statements, during the year ended 31 December 2018, the Group has acquired the entire equity interests of Yunxiao Changye Water Co., Ltd (雲霄長業水務有限公司), Pinghe Changye Water Co., Ltd (平和長業水務有限公司) and Changtai Changye Water Co., Ltd (長泰長業水務有限公司) (collectively referred to as the "**Changye Group**") and the related shareholders' loans for a total consideration of RMB136,698,000.

The Changye Group is principally engaged in BOT of municipal wastewater projects in the PRC. Upon completion of the acquisition, the Changye Group became wholly-owned subsidiaries of the Company. The Group measured the identifiable assets acquired and the liabilities assumed as at the acquisition date by allocating the total consideration paid by the Group based on the assumption that the fair values of the assets and liabilities other than service concession receivables approximated to their carrying amounts and the remaining portion of the consideration to be the fair value of the service concession receivables. No fair value measurement has been performed by the Group to assess the fair values of the identifiable assets acquired and the liabilities assumed at the date of acquisition and recognise any resulting goodwill. This accounting treatment is a departure from the requirements of IFRS 3 which requires the Group to recognise the identifiable assets of the Changye Group acquired and the liabilities assumed on the date of acquisition at their acquisition-date fair values. We were unable to perform satisfactory alternative audit procedures to satisfy ourselves as to whether the carrying amounts of the identifiable assets acquired and the liabilities assumed at the date of acquisition were significantly different from their fair values as at that date. Further, no sale and purchase agreements have been provided to us by the management of the Group for the acquisition of the Changye Group and the considerations paid to the vendor were settled by subsidiaries of Sound Group. In addition, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves that the vendor was not related to related parties of the Group in accordance with IAS 24 and the validity of the commercial terms in arriving at the consideration for the acquisition of the entire equity interests in the Changye Group. There were no practicable alternative audit procedures that we could perform to satisfy ourselves as to whether the amounts reported in the consolidated financial statements for these and other related elements were free from material misstatement, whether due to fraud or otherwise. Any adjustments found to be necessary to these matters may have a consequential significant impact on the goodwill to be recognised in the consolidated statement of financial position or gain on bargain purchase to be recognised in the consolidated statement of profit or loss in respect of the acquisition for the year ended 31 December 2018 and the assets and liabilities of the Changye Group included in the consolidated assets and liabilities of the Group as at 31 December 2019 and 2018 and hence on the loss, total comprehensive loss and cash flows of the Group for the years then ended, and the other elements and related disclosures thereof in the consolidated financial statements.

Basis for Disclaimer of Opinion (Continued)

*(n) Non-compliance with accounting and disclosure requirements of IFRSs and the relevant requirements of Rules Governing the Listing of Securities on the HKEx (the "**Listing Rules**") (Continued)*

(vi) As disclosed in Note 34(a) to the consolidated financial statements, during the year ended 31 December 2019, the Group has acquired the entire equity interests of Jiaxing Sangzi, Longyan Changye Water Co., Ltd (龍岩市長業水務有限公司) and Shanxian Dongxing Construction Engineering Co., Ltd (單縣東興建設工程有限公司) (collectively referred to as the "**Target Companies**") for a total consideration of approximately RMB64,835,000.

The Target Companies are mainly engaged in equity investment management and construction, management and operation of the municipal wastewater projects in the PRC. Upon completion of the acquisition, the Target Companies became wholly-owned subsidiaries of the Company. The Group measured the identifiable assets acquired and the liabilities assumed as at the acquisition date based on the assumption that the fair values of the assets and liabilities approximated to their carrying amount and the remaining portion of the consideration to be gain on bargain purchase. No fair value measurement has been performed by the Group to assess the fair values of the identifiable assets acquired and the liabilities assumed at the date of acquisition. This accounting treatment is a departure from the requirements of IFRS 3 which requires the Group to recognise the identifiable assets of the Target Companies acquired and the liabilities assumed on the date of acquisition at their acquisition-date fair values. We have been unable to perform satisfactory alternative audit procedures to satisfy ourselves as to whether the carrying amounts of the identifiable assets acquired and the liabilities assumed at the date of acquisition were significantly different from their fair values as at that date. Further, no sale and purchase agreements have been provided to us by the management of the Group for the acquisition of the Target Companies. In addition, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves that the vendors were not related to related parties of the Group in accordance with IAS 24 and the validity of the commercial terms in arriving at the consideration for the acquisition of the entire equity interests in the Target Companies. There were no practicable alternative audit procedures that we could perform to satisfy ourselves as to whether the amounts reported in the consolidated financial statements for these and other related elements were free from material misstatement, whether due to fraud or otherwise. Any adjustments found to be necessary to these matters may have a consequential significant impact on the goodwill to be recognised in the consolidated statement of financial position or gain on bargain purchase recognised in the consolidated statement of profit or loss in respect of the acquisition for the year ended 31 December 2019 and the assets and liabilities of the Target Companies included in the consolidated assets and liabilities of the Group as at 31 December 2019 and hence on the loss, total comprehensive loss and cash flows of the Group for the year then ended, and the other elements and related disclosures thereof in the consolidated financial statements.

Basis for Disclaimer of Opinion (Continued)

(n) *Non-compliance with accounting and disclosure requirements of IFRSs and the relevant requirements of Rules Governing the Listing of Securities on the HKEx (the "**Listing Rules**") (Continued)*

(vii) As disclosed in Notes 3(ii) and 34(d)(i) to the consolidated financial statements, during the year ended 31 December 2018, the directors of the Company asserted that the Group disposed of 51% of the entire issued share capital of Fujian Ronghai Environmental Technology Co., Ltd (福建省融海環境科技有限公司) ("**Fujian Ronghai**") at a zero consideration (the "**2018 Disposal**"). Upon completion of the 2018 Disposal, Fujian Ronghai ceases to be a subsidiary of the Company. However, as per the records in the State Administration for Market Regulation of the People's Republic of China (the "**SAMR**"), Beijing Sound ceased to be the registered shareholder of Fujian Ronghai on 11 October 2019. This is contrary to the assertions of the directors of the Company that the 2018 Disposal had been completed during the year ended 31 December 2018 and that subsequent to the date of completion and up to 11 October 2019, the control and management of Fujian Ronghai had been transferred to the buyer and the Group has been unable to gain access to the sale and purchase agreement and the full books and records of Fujian Ronghai.

Given these circumstances, the directors of the Company have not (i) consolidated the financial information of Fujian Ronghai up to the date of disposal in 2019 as per the records in SAMR, including its assets and liabilities into the consolidated financial statements of the Group as at 31 December 2018 and its income and expenses and cash flows into the consolidated financial statements of the Group for the years ended 31 December 2019 and 2018; and (ii) adjust the carrying amounts of the controlling and non-controlling interests to reflect the change in the Group's relative interests in Fujian Ronghai that arose from the completion of the 2018 Disposal. Had the financial information of Fujian Ronghai up to the date of disposal in 2019 as per the records in SAMR been consolidated in the Group's consolidated financial statements for the years ended 31 December 2019 and 2018, the assets and liabilities of the Group as at 31 December 2018 and the income and expenses and cash flows recognised in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the years ended 31 December 2019 and 2018 would be affected. The non-consolidation of Fujian Ronghai is a departure from the requirements of IFRS 10, which requires the Group to consolidate all its subsidiaries and to adjust the carrying amounts of the controlling and non-controlling interests to reflect the changes in its relative interests in Fujian Ronghai.

The directors of the Company believed that the Group does not have the relevant information and access necessary to ensure the accuracy and completeness of the financial information of Fujian Ronghai as consolidated in the consolidated financial statements of the Group and allocation of non-controlling interests of Fujian Ronghai for the years ended 31 December 2019 and 2018. There were no practicable alternative audit procedures we could carry out to satisfy ourselves as to the financial information of Fujian Ronghai that has been included in the consolidated financial statements were free from material misstatements, whether due to fraud or otherwise. In addition, we were unable to satisfy ourselves about the validity of the amounts due to the non-controlling interests of the disposed Fujian Ronghai of approximately RMB40,378,000 and RMB43,386,000 as at 31 December 2019 and 2018 respectively which are included in other payables of the Group and disclosed in Note 29 to the consolidated financial statements.

Moreover, we were not provided with sufficient appropriate audit evidences on the identity of the buyer and there were no practicable alternative audit procedures that we could perform to assess whether the 2018 Disposal entered into by the Group was a related party transaction which requires separate disclosure in the consolidated financial statements under the requirements of IAS 24 in respect of related party transactions and balances. Further, we were not provided with sufficient appropriate audit evidence to satisfy ourselves as to the validity of the commercial terms, including the zero consideration, for the disposal of the 51% equity interests in Fujian Ronghai. In addition, for the same reasons, we were also unable to assess whether the 2018 Disposal resulted in any non-compliance with the Listing Rules, including the disclosure requirements and the shareholders' approval requirements under Chapter 14 and Chapter 14A under the Listing Rules.

Basis for Disclaimer of Opinion (Continued)

*(n) Non-compliance with accounting and disclosure requirements of IFRSs and the relevant requirements of Rules Governing the Listing of Securities on the HKEx (the "**Listing Rules**") (Continued)*

(viii) As disclosed in Notes 3(iii) to the consolidated financial statements, during the year ended 31 December 2017, the Group disposed of 49% equity interests of Fuzhou City Dongxiang District Sound Water Co., Ltd (撫州市東鄉區桑德水務有限公司) ("**Fuzhou City Dongxiang District Sound**") to a buyer at zero consideration (the "**First Fuzhou City Dongxiang District Sound Disposal**"). Fuzhou City Dongxiang District Sound was principally engaged in construction, management and operation of the municipal wastewater projects in the PRC. Upon completion of the First Fuzhou City Dongxiang District Sound Disposal, Fuzhou City Dongxiang District Sound became a 51% owned subsidiary of the Company.

In addition, as disclosed in Note 34(d)(ii) to the consolidated financial statements, during the year ended 31 December 2018, the Group further disposed the remaining 51% equity interest of Fuzhou City Dongxiang District Sound to the buyer at zero consideration (the "**Second Fuzhou City Dongxiang District Sound Disposal**"). Upon completion of the Second Fuzhou City Dongxiang District Sound Disposal in January 2018, Fuzhou City Dongxiang District Sound ceased to be a subsidiary of the Company.

The directors of the Company have asserted that subsequent to the completion of the Second Fuzhou City Dongxiang District Sound Disposal, the operation and management of Fuzhou City Dongxiang District Sound have been transferred to the buyer and the Group has been unable to gain access to the full books and records of Fuzhou City Dongxiang District Sound.

Given these circumstances, the directors of the Company have been unable to (i) consolidate the financial information of Fuzhou City Dongxiang District Sound up to the date of disposal in 2018, including its assets and liabilities, income and expenses and cash flows, into the consolidated financial statements of the Group for the year ended 31 December 2018 and (ii) adjust the carrying amounts of the controlling and non-controlling interests to reflect the change in the Group's relative interests in Fuzhou City Dongxiang District Sound that arose from the completion of the First Fuzhou City Dongxiang District Sound Disposal. Had the financial information of Fuzhou City Dongxiang District Sound up to the date of disposal in 2018 been consolidated in the Group's consolidated financial statements for the year ended 31 December 2018 and the equity transaction for the disposal of partial interest under the First Fuzhou City Dongxiang District Sound Disposal been recognised, (i) the income and expenses and cash flows recognised in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the year ended 31 December 2018 and (ii) the loss and total comprehensive loss for the year attributable to owners of the Company and the non-controlling interests subsequent to the completion of the First Fuzhou City Dongxiang District Sound Disposal recognised in the consolidated statement of loss or profit and other comprehensive income for the year ended 31 December 2018 would be affected. The non-consolidation of Fuzhou City Dongxiang District Sound and non-recognition of the effects of the equity transaction for the disposal of partial interests in the subsidiary are departures from the requirements of IFRS 10, which requires the Group to consolidate all its subsidiaries and to adjust the carrying amounts of the controlling and non-controlling interests to reflect the changes in its relative interests in Fuzhou City Dongxiang District Sound.

Basis for Disclaimer of Opinion (Continued)

*(n) Non-compliance with accounting and disclosure requirements of IFRSs and the relevant requirements of Rules Governing the Listing of Securities on the HKEx (the "**Listing Rules**") (Continued)*

(viii) (continued)

The directors of the Company believed that the Group does not have the relevant information and access necessary to ensure the accuracy and completeness of the financial information of Fuzhou City Dongxiang District Sound to enable the inclusion of the financial information in the consolidated financial statements of the Group for the year ended 31 December 2018. There were no practicable alternative audit procedures we could carry out to determine the financial effects of these matters, including the carrying amounts of assets and liabilities and balances of income, expenses and non-controlling interests in respect of Fuzhou City Dongxiang District Sound that should be included in the consolidated financial statements of the Group. Further, because of the insufficient financial information of Fuzhou City Dongxiang District Sound, the information about the nature and financial effects of the disposal of Fuzhou City Dongxiang District have not been disclosed in the consolidated financial statements. Also, given the occurrence of the partial disposal and disposal under these circumstances, there were no practicable alternative audit procedures that we could perform to estimate the quantification of the financial effects of the matters to which the non-compliance relates.

Moreover, we were not provided with sufficient appropriate audit evidences to satisfy ourselves as to the (i) validity of the commercial terms, including the zero consideration for both the First Fuzhou City Dongxiang District Sound Disposal and the Second Fuzhou City Dongxiang District Sound Disposal, and (ii) identity of the buyer and its relationship with related parties of the Group. There were no practicable alternative audit procedures that we could perform to assess whether the First Fuzhou City Dongxiang District Sound Disposal and the Second Fuzhou City Dongxiang District Sound Disposal entered into by the Group were related party transactions which require separate disclosure in the consolidated financial statements under the requirements of IAS 24 in respect of related party transactions and balances. In addition, for the same reasons, we were also unable to assess whether the First Fuzhou City Dongxiang District Sound Disposal and the Second Fuzhou City Dongxiang District Sound Disposal resulted in any non-compliance with the Listing Rules, including the disclosure requirements and the shareholders' approval requirements under Chapter 14 and Chapter 14A under the Listing Rules.

(ix) As disclosed in Note 34(c) to the consolidated financial statements, during the year ended 31 December 2019, the Group disposed of the entire issued share capital of Tongliao City Sound Water Co., Ltd (通遼市桑德水務有限公司), Lanxi Sound Water Co., Ltd (蘭溪桑德水務有限公司), Anyang Zongcun Sound Water Co., Ltd (安陽宗村桑德水務有限公司), Anshan Qingchang Water Co., Ltd (鞍山清暢水務有限公司) and Anshan Qinglang Water Co., Ltd (鞍山清朗水務有限公司), 65% of the entire issued share capital of Quzhou Sound Lvfa Water Co., Ltd (衢州桑德綠發水務有限公司) ("**Quzhou Sound**") and 85% of the issued share capital of Yunxiao Sound Water Co., Ltd (雲霄桑德水務有限公司) ("**Yunxiao Sound**") (collectively referred to as the "**2019 Disposed Companies**") at total cash consideration of approximately RMB690,954,000 (the "**2019 Disposals**"). Upon completion of the 2019 Disposals, the 2019 Disposed Companies ceased to be subsidiaries of the Company and the remaining 15% equity interest of Yunxiao Sound held by the Group has been classified as financial assets at fair value through profit or loss.

The directors of the Company have asserted that subsequent to the completion of the 2019 Disposals, the operation and management of the 2019 Disposed Companies have been transferred to the buyers and the Group has been unable to gain access to the full books and records of the 2019 Disposed Companies.

Given these circumstances, the directors of the Company believed that the Group does not have the relevant information and access necessary to ensure the accuracy and completeness of the financial information of the 2019 Disposed Companies as consolidated in the consolidated financial statements of the Group for the year ended 31 December 2019. There were no practicable alternative audit procedures we could carry out to satisfy ourselves as to whether the financial information of the 2019 Disposed Companies that has been included in the consolidated financial statements and the gain on disposal of subsidiaries of approximately RMB33,604,000 were free from material misstatements, whether due to fraud or otherwise.

Basis for Disclaimer of Opinion (Continued)

*(n) Non-compliance with accounting and disclosure requirements of IFRSs and the relevant requirements of Rules Governing the Listing of Securities on the HKEx (the "**Listing Rules**") (Continued)*

(ix) (continued)

Moreover, we were not provided with sufficient appropriate audit evidences on the identity of the buyer and there were no practicable audit procedures that we could perform to assess whether the 2019 Disposals entered into by the Group were related party transactions which requires separate disclosure in the consolidated financial statements under the requirements of IAS 24 in respect of related party transactions. Further, we were not provided with sufficient appropriate audit evidence to satisfy ourselves as to the validity of the commercial terms, including the consideration, for the disposal of the 2019 Disposed Companies. In addition, for the same reasons, we were also unable to assess whether the 2019 Disposals resulted in any non-compliance with the Listing Rules, including the disclosure requirements and the shareholders' approval requirements under Chapter 14 and Chapter 14A under the Listing Rules.

(x) As disclosed in Note 3(viii) to the consolidated financial statements, during the year ended 31 December 2019, the Group entered into a series of agreements, as detailed in below, with Cinda Investment Co., Ltd (信達投資有限公司) ("**Cinda Investment**"), Hainan Jianxin Investment Management Co., Ltd (海南建信投資管理股份有限公司) ("**Hainan Jianxin**"), a wholly-owned subsidiary of Cinda Investment, Sound Group and Jinxin Tairun whereby the Group disposed certain subsidiaries to vehicles held by Hainan Jianxin and Sound Group through a trust company. These disposal arrangements were entered for the purpose of Sound Group's loans restructuring together with the early repayments of loans from Jinxin Tairun which described in paragraph (n)(i) herein. During the year ended 31 December 2019, the Group entered into agreements to dispose of entire equity interests of Fuyang Sound Water Co., Ltd (阜陽桑德水務有限公司), Leiyang Sound Water Co., Ltd (耒陽桑德水務有限公司) and Shandong Chengwu Yingyuan Industrial Co., Ltd (山東省成武盈源實業有限公司) ("**Shandong Chengwu**") to Jinxin Tairun and/or Hainan Jianxin at total cash consideration of RMB225,000,000. As per the records in the SAMR, the changes of registered shareholders were completed in 2019 and the Group has no equity interests in these companies after the date of completion. These companies were subsequently held by Tianjin Sound Water Co., Ltd (天津桑德水務有限公司) ("**Tianjin Sound Water**") in 2020. During the year ended 31 December 2019, the Group entered into agreements to dispose of 70% of entire equity interests of Shantou Guanbu Sound Water Co., Ltd (汕頭市關埠桑德水務有限公司), Shantou Heping Sound Water Co., Ltd (汕頭市和平桑德水務有限公司) and Shantou Tongyu Sound Water Co., Ltd (汕頭市銅盂桑德水務有限公司) to Tianjin Sound Water at total cash consideration of approximately RMB63,096,000. As per the records in the SAMR, the changes of registered shareholders were completed in 2019 and the Group has no equity interests in these companies after the date of completion. During the year ended 31 December 2019, the Group entered into agreements to dispose of (i) entire equity interests of Taizhou Qinlong Sound Water Co., Ltd (泰州溱瀧桑德水務有限公司) ("**Taizhou Sound**"), Siyang Siqing Water Co., Ltd (泗陽泗清水務有限公司), Taian Sound Water Co., Ltd (台安桑德水務有限公司), Yulin Sound Water Co., Ltd (榆林桑德水務有限公司), Jingxian Sound Water Treatment Co., Ltd (景縣桑德淨水有限公司), Anshan Tianqing Water Co., Ltd (鞍山天清水務有限公司), Xianyang Xingping Sound Water Co., Ltd (咸陽興平桑德水務有限公司), Hailun Sound Water Co., Ltd (海倫桑德水務有限公司), Taihe Sound Water Treatment Co., Ltd (太和桑德淨水有限公司), Dazhou Sound Water Co., Ltd (達州桑德水務有限公司), Xishui Sound Water Co., Ltd (習水桑德水務有限公司), Ankang Sound Water Co., Ltd (安康桑德水務有限公司) and Baoding Sound Water Treatment Co., Ltd (保定桑德水處理有限公司), and (ii) 70% of entire equity interests of Huizhou Sound Water Co., Ltd (惠州桑德水務有限公司) to Tianjin Sound Environmental Engineering Co., Ltd (天津桑德環境工程有限公司) ("**Tianjin Sound Engineering**") at total cash consideration of RMB467,000,000. As per the records in the SAMR, the changes of registered shareholders were completed in 2019 and the Group has no equity interests in these companies after the date of completion. During the year ended 31 December 2019, the Group entered into an agreement to dispose of 14.44% of equity interests of Lianshui Biqing Water Co., Ltd (漣水碧清水務有限公司) ("**Lianshui Biqing**") to Tianjin Sound Engineering at total cash consideration of approximately RMB5,487,000. As per the records in the SAMR, the changes of registered shareholders were completed in 2019 and the Group held 85.56% equity interests in Lianshui Biqing after the date of completion.

Basis for Disclaimer of Opinion (Continued)

(n) *Non-compliance with accounting and disclosure requirements of IFRSs and the relevant requirements of Rules Governing the Listing of Securities on the HKEx (the "**Listing Rules**") (Continued)*

(x) (continued)

As per records in the SAMR, Mr. Wen Yibo, the ultimate controlling shareholder of the Company, acted as the legal representative of Tianjin Sound Water and Tianjin Sound Engineering which were held by a trust company on behalf of Hainan Jianxin and Sound Global.

Despite the fact that the changes of registered shareholders of the above companies (the "**2019 Disposed but Consolidated Subsidiaries**") as recorded in SAMR were completed in 2019, the management of the Group continued to consolidate the assets and liabilities of these subsidiaries as at 31 December 2019 and their financial performance for the year then ended in the Group's consolidated financial statements for the year ended 31 December 2019 and no effect on non-controlling interests has been recognised, after considering that the operations of these companies were remained to be managed by the Group and therefore the Group continued to have control over these companies. Therefore, no gain or loss on disposal of subsidiaries was recognised during the year ended 31 December 2019. The directors of the Company have asserted that management of the operations of these companies by the Group is sufficient to demonstrate that the Group has continued to control these companies and there was no change in interest of these companies during the year ended 31 December 2019 except as stated below. There were no practicable alternative audit procedures we could carry out to determine the Group continued to control these companies after the completion dates of the changes of registered shareholdings referred to above, and that there was no change in interest of these companies.

The directors of the Company considered that the disposal of Taizhou Qinlong Sound and Shandong Chengwu were completed upon Tianjin Sound Engineering and Jinxin Tairun disposed their entire equity interests of these subsidiaries to other third parties during the year ended 31 December 2020. As per the records in the SAMR, the changes of the registered shareholders of Taizhou Qinlong Sound and Shandong Chengwu were completed in 2020 and Tianjin Sound Engineering or Jinxin Tairun have no equity interest in Taizhou Qinlong Sound and Shandong Chengwu after the date of completion.

Given these circumstances, the directors of the Company have not (i) deconsolidated the financial statements of the 2019 Disposed but Consolidated Subsidiaries at the date of disposal in 2019 as per the records in SAMR, including derecognising their assets and liabilities from the consolidated financial statements of the Group as at 31 December 2019 and their income and expenses and cash flows from the consolidated financial statements of the Group for the year ended 31 December 2019; and (ii) adjusted the carrying amounts of the controlling and non-controlling interests to reflect the change in the Group's relative interests in the 2019 Disposed but Consolidated Subsidiaries that arose from the completion of the disposal. There were no practicable alternative audit procedures that we could perform to satisfy ourselves as to whether the amounts reported in the consolidated financial statements for these and other related elements were free from material misstatement, whether due to fraud or otherwise. Had the assets, liabilities, income, expenses and cash flows of the 2019 Disposed but Consolidated Subsidiaries been deconsolidated in the Group's consolidated financial statements for the year ended 31 December 2019 at the date of disposal in 2019 as per the records in SAMR, the assets and liabilities of the Group as at 31 December 2019 and the income and expenses and cash flows recognised in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the year ended 31 December 2019 would be affected. Should the 2019 Disposed but Consolidated Subsidiaries be disposed in the year ended 31 December 2019, the continuing inclusion of the assets, liabilities, results and cash flows of the 2019 Disposed but Consolidated Subsidiaries after the date of disposal in the consolidated financial statements of the Group for the year ended 31 December 2019 is a departure from the requirements of IFRS 10.

Basis for Disclaimer of Opinion (Continued)

*(n) Non-compliance with accounting and disclosure requirements of IFRSs and the relevant requirements of Rules Governing the Listing of Securities on the HKEx (the "**Listing Rules**") (Continued)*

(x) (continued)

Moreover, we were not provided with sufficient appropriate audit evidences to satisfy ourselves as to the (i) validity of the commercial terms, including the considerations for the disposal of the companies, (ii) identity of the buyers and their relationships with the Group; and (iii) rationale for entering into the disposal agreements but no disposal or partial disposal of subsidiaries has been recognised. In addition, for the same reasons, we were also unable to assess whether the disposal of these companies resulted in any non-compliance with the Listing Rules, including the disclosure requirements and the shareholders' approval requirements under Chapter 14 and Chapter 14A under the Listing Rules and related party transactions in accordance with IAS 24.

(xi) As disclosed in Note 21 to the consolidated financial statements, during the year ended 31 December 2017, the Group was involved in the formation of two companies, namely Fuzhou City Cangshan Zhongyu Sangcheng Water Environment Technology Co., Ltd (福州市倉山中閩桑誠水環境技術有限公司) ("**Cangshan Zhongyu Sangcheng**") and Fuzhou City Jinan Zhongyu Sangcheng Water Environment Technology Co., Ltd (福州市晉安中閩桑誠水環境技術有限公司) ("**Jinan Zhongyu Sangcheng**") (collectivelyreferred to as the "**Fuzhou Entities**"). The Group contributed RMB30,000,000 into each company as subscription monies for share capital, representing 30% of the registered share capital of each of the Fuzhou Entities.

Basis for Disclaimer of Opinion (Continued)

*(n) Non-compliance with accounting and disclosure requirements of IFRSs and the relevant requirements of Rules Governing the Listing of Securities on the HKEx (the "**Listing Rules**") (Continued)*

(xi) (continued)

The directors of the Company have asserted that subsequent to the registration of the Fuzhou Entities and up to the date of this report, they have been unable to gain access to, or obtain information about, the statutory records and the books and records of the Fuzhou Entities. Given these circumstances, the directors of the Company have been unable to assess whether the Group has control, joint control or significant influence in the Fuzhou Entities. Further, the Group was unable to obtain the financial statements or management accounts of the Fuzhou Entities. In addition, impairment losses in respect of the investments in the Fuzhou Entities of RMB60,000,000 were recognised for the year ended 31 December 2017 to fully write down the cost of investment of the Group. Due to lack of information made available to us, we were unable to determine whether the accounting treatment adopted in the consolidated financial statements in respect of the investment in the Fuzhou Entities constituted a departure from the requirements of the applicable IFRSs, including (i) IFRS 10, which requires all subsidiaries controlled by the Company and its subsidiaries to be included in the consolidated financial statements, (ii) IFRS 11 "Joint Arrangements", which requires a joint operator to account for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses and a joint venturer to recognise its interest in a joint venture as an investment and shall account for that investment using the equity method in accordance with IAS 28 "Investments in Associates and Joint Ventures", (iii) IAS 28, which requires all associates where the Company and its subsidiaries have significant influence in to be accounted for using the equity method of accounting in the consolidated financial statements; or (iv) IFRS 9 which requires equity investments within the scope of the standard to be measured at fair value. The Group should have accounted for its interests in the Fuzhou Entities in its consolidated financial statements for the years ended 31 December 2019 and 2018 using one of the methods of accounting referred to in (i) to (iv) above, depending on whether it has control, joint control or significant influence, or none of these, over the Fuzhou Entities. Had the nature of the Group's interests in the Fuzhou Entities been assessed and the interests then properly accounted for in accordance with applicable IFRSs as subsidiaries, joint operators, joint ventures, associates or equity investments, the assets and liabilities of the Group as at 31 December 2019 and 2018 and the income and expenses and cash flows recognised in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the years then ended, and the other elements and related disclosure thereof in the consolidated financial statements would be affected. However, because of the insufficient information of the Fuzhou Entities made available to us, as stated above, we have not been able to obtain sufficient appropriate audit evidence to enable us to assess the effects of these matters. There were practicable no alternative audit procedures that we could perform to assess whether the accounting treatment on the investment in the Fuzhou Entities is in accordance with the applicable IFRSs. Accordingly, the effects on the consolidated financial statements of these matters could not be determined.

Basis for Disclaimer of Opinion (Continued)

*(n) Non-compliance with accounting and disclosure requirements of IFRSs and the relevant requirements of Rules Governing the Listing of Securities on the HKEx (the "**Listing Rules**") (Continued)*

(xi) (continued)

We have also been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to (i) the validity of the cost of the investments in the Fuzhou Entities on initial recognition of RMB60,000,000; (ii) the identities of the other shareholders holding 70% equity interest of each of Cangshan Zhongyu Sangcheng and Jinan Zhongyu Sangcheng and the fact that these other shareholders were not related to related parties of the Group in accordance with IAS 24; and (iii) the validity of the commercial terms arrived at in the investments in 30% equity interest of each of Cangshan Zhongyu Sangcheng and Jinan Zhongyu Sangcheng. Further, no impairment assessment was performed by the Group on the recoverability of the Group's interests in each of Cangshan Zhongyu Sangcheng and Jinan Zhongyu Sangcheng and we were unable to carry out alternative audit procedures to satisfy ourselves as to the recoverable amount of these interests of the Group as at 31 December 2019 and 2018. There were no practicable alternative audit procedures that we could perform to satisfy ourselves as to whether the amounts reported in the consolidated financial statements for these and other related elements were free from material misstatement, whether due to fraud or otherwise. Any adjustments found to be necessary to these matters may have a consequential significant impact on the carrying amounts of the assets and liabilities recognised, or that should be recognised, by the Group in relation to its interests in the Fuzhou Entities as at 31 December 2019 and 2018, impairment losses of RMB60,000,000 recognised in the consolidated statement of profit or loss of the Group for the year ended 31 December 2017 and share of results of associates that should be recognised in the consolidated statement of profit or loss of the Group for the years ended 31 December 2019 and 2018 and hence on the net assets of the Group as at 31 December 2019 and 2018 and the loss, total comprehensive loss and cash flows for the years then ended, and the other elements and related disclosures thereof in the consolidated financial statements.

Furthermore, the consolidated financial statements do not contain information about the Group's interests in the Fuzhou Entities which is required to be disclosed by IFRS 12 "Disclosure of Interests in Other Entities" if the Fuzhou Entities were found to be subsidiaries, joint ventures or associates of the Group, or if none of these, then IFRS 7 "Financial Instruments: Disclosures". Given the lack of information available, there were no practicable alternative audit procedures that we could perform to also assess whether the investments in the Fuzhou Entities resulted in any non-compliance with the Listing Rules, including the disclosure requirements and the shareholders' approval requirements under Chapter 14 and Chapter 14A under the Listing Rules.

Basis for Disclaimer of Opinion (Continued)

*(n) Non-compliance with accounting and disclosure requirements of IFRSs and the relevant requirements of Rules Governing the Listing of Securities on the HKEx (the "**Listing Rules**") (Continued)*

(xii) As disclosed in Note 21 to the consolidated financial statements, during the year ended 31 December 2018, the Group was involved in the formation of two companies, namely Liyang Zhongjian Sound Environment Management Co., Ltd (溧陽中建桑德環境治理有限公司) ("**Liyang Zhongjian Sound**") and Chongqing Yulong Environmental Protection Co., Ltd (重慶渝隆環保有限公司) ("**Chongqing Yulong**"). The Group contributed RMB38,000,000 into Liyang Zhongjian Sound as subscription monies for share capital, representing 36% of the registered share capital of Liyang Zhongjian Sound. The Group contributed RMB750,000 into Chongqing Yulong as subscription monies for share capital, representing 15% of the registered share capital of Chongqing Yulong.

During the year ended 31 December 2019, the Group provided capital contributions to Liyang Zhongjian Sound based on its percentage of equity interests in this associate and the contributed share capital amount was approximately RMB95,305,000.

The directors of the Company have asserted that subsequent to the registration of Liyang Zhongjian Sound and Chongqing Yulong and up to the date of this report, they have been unable to gain access to, or obtain information about, the statutory records and the books and records of Liyang Zhongjian Sound and Chongqing Yulong. Given these circumstances, the directors of the Company have been unable to assess whether the Group has control, joint control or significant influence in Liyang Zhongjian Sound and Chongqing Yulong. Further, the Group was unable to obtain the financial statements or management accounts of Liyang Zhongjian Sound and Chongqing Yulong. In addition, impairment losses recognised in consolidated profit or loss in respect of the investments in Liyang Zhongjian Sound of approximately RMB95,305,000 in the year ended 31 December 2019 and in respect of Liyang Zhongjian Sound and Chongqing Yulong of RMB38,000,000 and RMB750,000 respectively in the year ended 31 December 2018 were recognised to fully write down the cost of investment of the Group. Due to lack of information made available to us, we were unable to determine whether the accounting treatment adopted in the consolidated financial statements in respect of the investment in Liyang Zhongjian Sound and Chongqing Yulong constituted a departure from the requirements of the applicable IFRSs, including (i) IFRS 10, which requires all subsidiaries controlled by the Company and its subsidiaries to be included in the consolidated financial statements, (ii) IFRS 11, which requires a joint operator to account for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses and a joint venturer to recognise its interest in a joint venture as an investment and shall account for that investment using the equity method in accordance with IAS 28, (iii) IAS 28, which requires all associates where the Company and its subsidiaries have significant influence in to be accounted for using the equity method of accounting in the consolidated financial statements; or (iv) IFRS 9 which requires equity investments within the scope of the standard to be measured at fair value.

Basis for Disclaimer of Opinion (Continued)

(n) *Non-compliance with accounting and disclosure requirements of IFRSs and the relevant requirements of Rules Governing the Listing of Securities on the HKEx (the "**Listing Rules**") (Continued)*

(xii) (continued)

The Group should have accounted for its interests in Liyang Zhongjian Sound and Chongqing Yulong in its consolidated financial statements for the years ended 31 December 2019 and 2018 using one of the methods of accounting referred to in (i) to (iv) above, depending on whether it has control, joint control or significant influence, or none of these, over Liyang Zhongjian Sound and Chongqing Yulong. Had the nature of the Group's interests in Liyang Zhongjian Sound and Chongqing Yulong been assessed and the interests then properly accounted for in accordance with applicable IFRSs as subsidiaries, joint operators, joint ventures, associates or equity investments, the assets and liabilities of the Group as at 31 December 2019 and 2018 and the income and expenses and cash flows recognised in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the years then ended, and the other elements and related disclosure thereof in the consolidated financial statements would be affected. However, because of the insufficient information of Liyang Zhongjian Sound and Chongqing Yulong made available to us, as stated above, we have not been able to obtain sufficient appropriate audit evidence to enable us to assess the effects of these matters. There were no alternative audit procedures that we could perform to assess whether the accounting treatment on the investments in Liyang Zhongjian Sound and Chongqing Yulong are in accordance with the applicable IFRSs. Accordingly, the effects on the consolidated financial statements of these matters could not be determined.

We have also been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to (i) the validity of the cost of the investments in Liyang Zhongjian Sound and Chongqing Yulong on initial recognition of RMB38,000,000 and RMB750,000 respectively and subsequent capital contribution to Liyang Zhongjian Sound of approximately RMB95,305,000; (ii) the identities of the other shareholders holding remaining equity interest of each of Liyang Zhongjian Sound and Chongqing Yulong and the fact that these other shareholders were not related to related parties of the Group in accordance with IAS 24; and (iii) the validity of the commercial terms arrived at in the investments in equity interest of each of Liyang Zhongjian Sound and Chongqing Yulong. Further, no impairment assessment was performed by the Group on the recoverability of the Group's interests in each of Liyang Zhongjian Sound and Chongqing Yulong and we were unable to carry out alternative audit procedures to satisfy ourselves as to the recoverable amount of these interests of the Group as at 31 December 2019 and 2018. There were no practicable alternative audit procedures that we could perform to satisfy ourselves as to whether the amounts reported in the consolidated financial statements for these and other related elements were free from material misstatement, whether due to fraud or otherwise. Any adjustments found to be necessary to these matters may have a consequential significant impact on the carrying amounts of the assets and liabilities recognised, or that should be recognised, by the Group in relation to its interests in Liyang Zhongjian Sound and Chongqing Yulong as at 31 December 2019 and 2018 and impairment losses on investments in Liyang Zhongjian Sound and Chongqing Yulong recognised and share of results of associates that should be recognised in the consolidated statement of profit or loss of the Group for the years ended 31 December 2019 and 2018 and hence on the net assets of the Group as at 31 December 2019 and 2018 and the loss, total comprehensive loss and cash flows of the Group for the years then ended, and the other elements and related disclosures thereof in the consolidated financial statements.

Furthermore, the consolidated financial statements do not contain information about the Group's interests in Liyang Zhongjian Sound and Chongqing Yulong which is required to be disclosed by IFRS 12 if Liyang Zhongjian Sound and Chongqing Yulong were found to be subsidiaries, joint ventures or associates of the Group, or if none of these, then IFRS 7. Given the lack of information available, there were no practicable alternative audit procedures that we could perform to also assess whether the investments in Liyang Zhongjian Sound and Chongqing Yulong resulted in any non-compliance with the Listing Rules, including the disclosure requirements and the shareholders' approval requirements under Chapter 14 and Chapter 14A under the Listing Rules.

Basis for Disclaimer of Opinion (Continued)

(o) Related party transactions

As disclosed in Note 41 to the consolidated financial statements, during the year ended 31 December 2018, the Group entered into certain agreements with Sound Group and its subsidiaries for which expenses in respect of rental and relevant services, consultancy services and financial guarantee provided to the Group of approximately RMB93,294,000, RMB169,207,000 and RMB189,916,000 respectively have been recognised in the consolidated statement of profit or loss for the year ended 31 December 2018, and as of 31 December 2019 and 2018, the Group has other receivables of approximately RMB1,039,538,000 and RMB876,920,000 respectively which represented receivables from Sound Group and its subsidiaries. We have been unable to obtain sufficient appropriate audit evidence to support the occurrence, validity and commercial substance of these expenses incurred. Therefore, we were unable to satisfy ourselves as to whether the expenses incurred during the year ended 31 December 2018 were free from material misstatement. Any adjustments found to be necessary may have a consequential significant impact on the amounts presented in administrative expenses and related party transactions for the year ended 31 December 2018 and other receivables as at 31 December 2019 and 2018, and the other elements and related disclosures thereof presented in the consolidated financial statements and hence on the net assets of the Group as at 31 December 2019 and 2018 and the loss, total comprehensive loss and cash flows of the Group for the years then ended.

In addition, for the same reasons, we were also unable to assess whether the theses transactions entered into by the Group resulted in any non-compliance with the Listing Rules, including the disclosure requirements and the shareholders' approval requirements under Chapter 14 and Chapter 14A under the Listing Rules.

Further, we were not provided with sufficient documentary evidence by the management of the Group on the nature of the balances and transactions entered into by the Group with third parties and to identify all the related party transactions and balances. We have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the completeness of the related party transactions and balances as disclosed in the consolidated financial statements. There were no practicable alternative audit procedures that we could perform to satisfy ourselves as to whether there was any undisclosed related party transactions and balances in accordance with IAS 24. Any undisclosed transactions or balances found to have occurred or existed may have a consequential significant effect on the fair presentation of the net assets of the Group as at 31 December 2019 and 2018 and the loss and total comprehensive loss and cash flow for the years then ended and the other elements and related disclosures thereof in the consolidated financial statements.

(p) Provisions and contingent liabilities

Due to lack of access to the books and records and management personnel of the Relevant PRC Subsidiaries for the years 2010 to 2015 made available to us, we have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether there was non-compliance with applicable laws and regulations by the Relevant PRC Subsidiaries and hence about the completeness of any actual or contingent liabilities in the consolidated financial statements. There were no practicable alternative audit procedures that we could perform to satisfy ourselves as to whether there existed unrecorded provisions or undisclosed contingent liabilities arising from breaches of laws and regulations by these subsidiaries and hence whether there were material misstatements of the consolidated financial statements due to non-compliance with laws and regulations. Any adjustments found to be necessary to these matters may have a consequential significant impact on the net assets of the Group as at 31 December 2019 and 2018 and the loss, total comprehensive loss and cash flows of the Group for the years then ended, and the other elements and related disclosures thereof in the consolidated financial statements.

Basis for Disclaimer of Opinion (Continued)

(q) Going concern

As disclosed in Note 3(ix) to the consolidated financial statements, the Group (i) incurred a loss attributable to the owners of the Company of approximately RMB1,953,237,000 and net cash outflows from operating activities of approximately RMB1,182,395,000 for the year ended 31 December 2019 and, as of that date, the Group's current liabilities exceeded its current assets by approximately RMB1,728,043,000; (ii) had total borrowings which exceeded the aggregate restricted bank balances and bank balances and cash by approximately RMB8,444,196,000 as at 31 December 2019. The Group recorded current and non-current borrowings of approximately RMB2,899,365,000 and RMB5,960,351,000 respectively and restricted bank balances and bank balances and cash of aggregate amount of approximately RMB415,520,000 as at 31 December 2019; and (iii) had unsecured bonds included in borrowings with principal amounts of RMB600,000,000 and RMB600,000,000 as at 31 December 2019 were subsequently matured in 2020 and 2021 respectively and together with the respective interests are remained unsettled up to the date of approval of the consolidated financial statements. In addition, the adjustments found to be necessary to the Group's financial performance for the year ended 31 December 2019 and closing balances of assets and liabilities as at 31 December 2019 of the matters described in paragraphs (a) to (p) herein may cause the operating results and liquidity position of the Group as presented in the consolidated financial statements for the year ended 31 December 2019 to be adversely affected to the extent that the Group's ability to meet its obligations as and when they fall due may be adversely affected. These conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. Notwithstanding the abovementioned, the consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the Group's ability to repay or extend existing borrowings upon their maturities, through cash flows from operations and working capital, and financial support from the controlling shareholder and other financial institutions. As of the date of this report, we are unable to obtain the Group's cash flow forecast, including related reasonable and supportable bases for the underlying data and assumptions, which are necessary for us to assess the appropriateness of the use of the going concern assumption in the preparation of the consolidated financial statements. Because of the significance of the matters above, we are unable to form an opinion as to whether the use of going concern assumption in the preparation of the consolidated financial statements is appropriate. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively.

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are 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 the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and to issue an auditors' report. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matters described in the Bases for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Report on Other Matters under sections 407(2) and 407(3) of the Hong Kong Companies Ordinance

In respect alone of the inability to obtain sufficient appropriate audit evidence as described in the Bases for Disclaimer of Opinion section of our report above:

- we were unable to determine whether adequate accounting records had been kept; and

- we have not obtained all the information or explanations that, to the best of our knowledge and belief, are necessary and material for the purpose of the audit.

(I) MANAGEMENT DISCUSSION AND ANALYSIS

A) <u>Review of Group's Financial Performance:</u>

Revenue

The Group's revenue decreased by approximately RMB1,431.4 million or 29.8% from approximately RMB4,810.1 million in 2018 to approximately RMB3,378.7 million in 2019.

Turnkey revenue decreased by approximately RMB1,156.8 million or 36.5% from approximately RMB3,166.8 million in 2018 to RMB2,010.0 million in 2019. Despite the decrease, the Group continues to be awarded and is fulfilling its Engineering, Procurement and Construction ("EPC") projects in PRC.

Revenue from O&M segment decreased by approximately RMB265.9 million or 16.3% from approximately RMB1,634.7 million in 2018 to approximately RMB1,368.8 million in 2019. Revenue decrease is mainly due to the disposal of certain operating BOT projects during the year.

Gross Profit and Gross Profit Margin

Gross profit decreased by approximately RMB364.0 million or 20.0% from approximately RMB1,816.1 million in 2018 to approximately RMB1,452.1 million in 2019, mainly resultant from the decrease in revenue.

The gross profit margin increased by approximately 5.2% from approximately 37.8% in 2018 to approximately 43.0% in 2019. Turnkey projects and services segment remained the main contributor to the Group's revenue. Given the nature of the turnkey projects, where revenue is recognised based on the percentage of completion, the gross profit margin for engineering works would fluctuate from one period to the next depending on the amount of revenue recognised for the relevant projects during the period in review. Nevertheless, on a year-to-year basis, the gross profit margin remained relatively consistent. The slight increase in gross profit margin is mainly due to the increase in contribution by the O&M segment representing 40.5% of the group's revenue in 2019, increased from 34.0% in 2018. Generally, O&M segment generates a higher gross profit margin compared to turnkey projects and services segment.

Other Income

Other income decreased by approximately RMB18.9 million or 21.7% from approximately RMB86.9 million in 2018 to approximately RMB68.0 million in 2019, mainly due to the decrease in government grant.

Other Gains and Losses

Other losses increased by approximately RMB1,433.9 million or 119.0% from approximately RMB1,205.1 million in 2018 to approximately RMB2,639.0 million in 2019. The increase mainly arose from the allowance for expected credit loss on other receivables and trade receivables in 2019 of approximately RMB1,115.2 million and RMB896.5 million respectively.

Distribution and Selling Expenses

Distribution and selling expenses decreased by approximately RMB37.8 million or 46.3% from approximately RMB81.6 million in 2018 to approximately RMB43.8 million in 2019, as the Group streamlined its operations and reduced its business operations.

Research and Development Expenses

Research and development expenses decreased by approximately RMB7.9 million or 18.9% from approximately RMB41.7 million in 2018 to approximately RMB33.8 million in 2019. The research and development expenses depend on the development of its dynamic technological trends of water treatment industry and the Company's needs in market development. There is no clear identifiable trend.

Administrative Expenses

Administrative expenses decreased by approximately RMB661.0 million or 78.1% from approximately RMB846.2 million in 2018 to approximately RMB185.2 million in 2019. The decrease is mainly due to the fees payable to Sound Group for rental and relevant services, consultancy services and financial guarantee provided to the Group totaling approximately RMB 452.4 million in 2018. No such fee was paid in 2019.

Finance Costs

Finance costs decreased by approximately RMB114.7 million or 23.2% from approximately RMB493.9 million in 2018 to approximately RMB379.2 million in 2019, mainly due to the decrease in finance leases and borrowings during the year.

Income Tax Expenses

Income tax expenses decreased by approximately RMB33.3 million or 16.4% from approximately RMB202.6 million in 2018 to approximately RMB169.3 million in 2019, mainly resultant from the reduced business operations. Despite a loss in 2019, income tax is payable. The loss in 2019 was mainly due to the allowance for expected credit loss on other receivables and trade receivables of approximately RMB1,115.2 million and RMB896.5 million respectively, of which, the income tax effects were not recognised.

B) Review of Group's Financial Position:

Current Assets

Current assets decreased by approximately RMB1,666.6 million or 15.0% from approximately RMB11,136.9 million as at 31 December 2018 to approximately RMB9,470.3 million as at 31 December 2019, mainly due to the decrease in trade and other receivables as business operations reduced and allowance for expected credit loss on trade and other receivables increased.

Non-Current Assets

Non-current assets increased by approximately RMB555.4 million or 5.0% from approximately RMB11,213.0 million as at 31 December 2018 to approximately RMB11,768.4 million as at 31 December 2019, mainly due to the increase in service concession receivables as the Group continues to invest in BOT projects.

Current Liabilities

Current liabilities remained relatively consistent at approximately RMB11,628.0 million as at 31 December 2018 and approximately RMB11,198.3 million as at 31 December 2019.

Non-Current Liabilities

Non-current liabilities increased by approximately RMB1,251.2 million or 21.2% from approximately RMB5,890.4 million as at 31 December 2018 to approximately RMB7,141.6 million as at 31 December 2019, mainly arose from the increase in long term borrowings.

Capital and Reserves

Equity attributable to owners of the Company decreased by approximately RMB1,954.5 million or 44.7% from approximately RMB4,372.6 million as at 31 December 2018 to approximately RMB2,418.1 million as at 31 December 2019, resulting from the loss for the year attributable to owners of the Company of approximately RMB1,953.2 million.

(II) FINANCIAL REVIEW

Gearing

	2019 RMB'000	2018 RMB'000
Borrowings (current)	2,899,365	5,399,265
Borrowings (non-current)	5,960,351	4,446,864
Lease liabilities/Obligations under finance lease (current)	332,909	409,856
Lease liabilities/Obligations under finance lease (non-current)	644,714	926,136
Total debts	9,837,339	11,182,121
Equity attributable to owners of the Company	2,418,134	4,372,586
Total debt to equity ratio	4.07	2.56

(III) BUSINESS REVIEW AND PROSPECTS

Under the influence of macro-policies such as deleveraging and strong supervision in 2019, an icy period has descended upon the enterprises in certain industries which have encountered unprecedented pressures. Faced with the increasingly complex and changing external environment, the Company, bearing its original aspiration in mind, adhered to the concept of creating value for shareholders. Always based on the field of water pollution treatment, the Company strove to explore its potential to make progress at a steady and tenacious pace. All employees of the Company actively responded to difficulties and challenges in a cohesive way by changing their ideas and optimizing strategies to counter risks, which made various businesses achieved stable and progressive development. The Company further deepened the adjustment of its strategic structure through comprehensive self-inspection, and it also optimized its organizational structure in order to enhance its own financing capabilities and build an efficient and healthy team for the purpose of meeting the challenges of the new era. On the one hand, the Company accelerated the construction progress of the project under construction on the premise of ensuring a reasonable schedule, and it also created more cash flow by shortening the terms of payment collection and dealing with the historical problems. On the other hand, the Company tapped into the potentials of its operating projects to create the added value, in order to make profits from operations, technology and management. Employees of the Company were encouraged to further increase profit margins through innovation and reduction of energy consumption, provided that the national standards are met. In response to the ever-tightening external financing environment, the Company further adjusted its financial strategies to reduce the impact of funding constraints on its operations, and sought multiple channels to resolve the cash flow crisis.

In the future, on the basis of further revitalizing existing assets, the Company focused on the development of light-asset model projects. Taking advantage of its accumulated experience in technology research and development, management and operation for many years, the Company maintained its leading position in the field of comprehensive governance of water environment with a more focused, professional and collaborative attitude. In the future, the Company will also focus on launching newly incubated professional companies in the subdivided fields and continue to increase the development of asset-light and cooperation models, as well as the exploration and layout of the "Sponge City" and the black and odorous water treatment. Leading the future with technology, the Company will develop and update the technologies of its main business to create new growth points and expect a promising future.

(IV) SUPPLEMENTARY INFORMATION

Audit Committee

The audit committee of the Company (the "Audit Committee") has reviewed the accounting principles and standards adopted by the Group and has discussed and reviewed the internal control and reporting matters. The annual results for the year ended 31 December 2019 have been reviewed by the Audit Committee.

Purchase, Sale or Redemption of the Company's Listed Securities

During the financial year ended 31 December 2019, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

Compliance with the Corporate Governance Code

The Company devotes to the best practice on corporate governance, and has complied with the Code Provisions of the Corporate Governance Code ("CG Code") as set out in Appendix 14 of the Listing Rules for the year ended 31 December 2019 except for the deviations from the following Code Provisions:

a) Code Provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election. Although the independent non-executive directors are not appointed for a specific term, all directors shall submit themselves for re-election at least once every three years pursuant to the Company's Articles of Association. Under the Company's Articles of Association, any new director appointed by the Board shall hold office only until the next following annual general meeting of the Company and shall be then eligible for re-election at the meeting.

b) Code Provision E.1.2 of the CG Code stipulates that the chairman should attend the annual general meeting. The chairman of the Company did not attend the annual general meeting held on 11 April 2019 due to other work commitment. He will use his best endeavours to attend all future shareholders' meetings of the Company.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules and its amendments from time to time as its own code of conduct regarding securities transactions by the directors. The Board confirms that, having made specific enquiries with all directors of the Company, during the year ended 31 December 2019, all directors of the Company have complied with the required standards of the Model Code.

Employees and Remuneration Policy

As at 31 December 2019, there were 3,117 (2018: 3,732) employees in the Group. Staff remuneration packages are determined taking into consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical and life insurance, discretionary incentive bonuses and share options to eligible staff based on their performance and contributions to the Group.

Significant Investment Held, Material Acquisitions and Disposals of Subsidiaries

Save for those disclosed in this announcement, there were no significant investments held as at 31 December 2019, nor other material acquisitions and disposals of subsidiaries during the year.

Continued Suspension of Trading

Trading in the Company's shares (stock code: 00967) has been suspended from 9:00 a.m. on 13 April 2016 and will remain suspended until further notice.

Closure of Register of Members

The date of the Annual General Meeting and the closure period of register of members will be notified and announced separately.

Disclosure on the Websites of the SEHK and the Company

This announcement shall be published on the website of the SEHK (http://www.hkexnews.hk) and on the Company's website (http://www.soundglobal.com.sg). The annual report for the year ended 31 December 2019 will be despatched to the shareholders of the Company and published on the websites of the SEHK and the Company.

By Order of the Board
Sound Global Ltd.
Wen Yibo
Chairman

Hong Kong, 18 March 2022

As of the date of this announcement, the executive Directors are Wen Yibo, Luo Liyang, Li Sai, Li Tingting and Li Feng; and the independent non-executive Directors are Ma Yuanju, Zhang Shuting and Li Jianjun.

** For identification purposes only*