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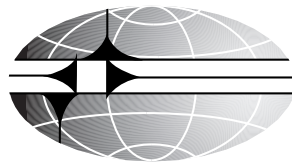
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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in **Shenzhen Expressway Company Limited**, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**深圳高速公路股份有限公司**

**SHENZHEN EXPRESSWAY COMPANY LIMITED**

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 00548)**

**MAJOR TRANSACTION**  
**ACQUISITION OF 20% EQUITY INTEREST IN DERUN ENVIRONMENT**

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## DEFINITIONS

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*In this circular, the following expressions have the following meanings unless the context requires otherwise:*

“Acquisition”	the acquisition of 20% equity interest in Derun Environment by Environment Company at the floor price of the listing from Water Asset pursuant to the Equity Transfer Agreement after Environment Company was determined as the transferee of the 20% equity interest in Derun Environment
“Acquisition Mandate”	the acquisition mandate granted by the Shareholders to the Board by way of written approval, pursuant to which the Board may participate the Internet Bidding under the Maximum Bid Price and proceed with the Acquisition with Environment Company after winning the Internet Bidding
“Assets and Equity Exchange”	Chongqing Assets and Equity Exchange
“Board”	the board of Directors
“Company”	Shenzhen Expressway Company Limited, a joint stock limited company incorporated in the PRC with limited liability, the H shares of which are listed on the HKEx and the A shares of which are listed on the Shanghai Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Derun Environment”	Chongqing Derun Environment Company Limited, a company incorporated in the PRC with limited liability, which is owned as to 74.9% and 25.1% by Water Asset and Suyu Industry as at the Latest Practicable Date
“Director(s)”	the director(s) of the Company
“Environment Company”	Shenzhen Expressway Environment Company Limited (深圳高速環境有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Equity Transfer Agreement”	the equity transfer agreement entered into between Environment Company and Water Asset in relation to the Acquisition on 25 May 2017 after Environment Company was determined as the transferee of the 20% equity interest in Derun Environment
“Ernst & Young”	Ernst & Young Hua Ming LLP
“Group”	the Company and its subsidiaries

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## DEFINITIONS

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“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“HKEx”	The Stock Exchange of Hong Kong Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Huarong”	Huarong International Capital Limited
“Internet Bidding”	the bidding process carried out by Water Asset for the sale of 20% equity interest in Derun Environment through Assets and Equity Exchange on the internet in order to determine the purchaser and the consideration
“Latest Practicable Date”	25 May 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein
“Listing Rules”	the Rules Governing the Listing of Securities on the HKEx
“Maximum Bid Price”	RMB4.6 billion, being the maximum bid price to be offered by Environment Company in relation to the Acquisition
“PRC”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Ruihua”	Ruihua Certified Public Accountants (LLP)
“San Feng Environment”	Chongqing San Feng Environmental Industrial Group Co., Ltd. (重慶三峰環境產業集團有限公司), a company incorporated in the PRC with limited liability and owned as to 57.12% by Derun Environment
“Share(s)”	Share(s) of the Company
“Shareholder(s)”	holder(s) of the shares of the Company
“Suyu Industry”	Chongqing Suyu Industry Development Company Limited (重慶蘇渝實業發展有限公司), a company incorporated in the PRC with limited liability and the holder of 25.1% equity interest in Derun Environment as at the Latest Practicable Date

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## DEFINITIONS

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“SZ International”	Shenzhen International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the HKEx
“Water Asset”	Chongqing Water Asset Management Company Limited (重慶市水務資產經營有限公司), a company incorporated in the PRC with limited liability and the holder of 74.9% equity interest in Derun Environment as at the Latest Practicable Date
“Water Group”	Chongqing Water Group Company Limited (重慶水務集團股份有限公司), a company incorporated in the PRC with limited liability and listed on the Shanghai Stock Exchange (stock code: 601158), which owned as to 50.04% by Derun Environment

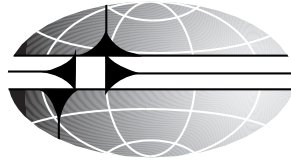
*Notes:*

In this circular, certain English names of Chinese entities are translation of their Chinese names, and are included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.

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LETTER FROM THE BOARD

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深圳高速公路股份有限公司  
**SHENZHEN EXPRESSWAY COMPANY LIMITED**

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 00548)**

*Executive Directors:*

Mr. HU Wei (*Chairman*)

Mr. WU Ya De

Mr. WANG Zeng Jin

Mr. LIAO Xiang Wen

*Non-executive Directors:*

Mr. ZHAO Jun Rong

Mr. TSE Yat Hong

Mr. LIU Ji

Mr. CHEN Yuan Jun

*Independent Non-executive Directors:*

Mr. AU Sing Kun

Mr. LIN Chu Chang

Mr. HU Chun Yuan

Mr. CAI Shu Guang

*Legal Address:*

Podium Levels 2-4,

Jiangsu Building,

Yitian Road,

Futian District,

Shenzhen, PRC

*Principal Place of Business*

*in Hong Kong:*

Room 1603, 16/F, China Building,

29 Queen's Road Central,

Central, Hong Kong

29 May 2017

*To the Shareholders*

Dear Sirs or Madams,

**MAJOR TRANSACTION**  
**ACQUISITION OF 20% EQUITY INTEREST IN DERUN ENVIRONMENT**

Reference is made to the joint announcements of SZ International and the Company dated 19 May 2017 and 25 May 2017. As disclosed in the said joint announcements, Environment Company, a wholly-owned subsidiary of the Company, applied to participate in the Internet Bidding for 20% equity interest in Derun Environment on 19 May 2017.

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## LETTER FROM THE BOARD

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Prior to Environment Company applied for participation in the Internet Bidding, the Board had determined the Maximum Bid Price offered by Environment Company will not exceed RMB4.6 billion and had obtained written approvals of the Acquisition and the Acquisition Mandate from three wholly-owned subsidiaries of SZ International, namely, Xin Tong Chan Development (Shenzhen) Co., Ltd, Shenzhen Shen Guang Hui Highway Development Company and Advance Great Limited, which held 654,780,000 A Shares, 411,459,887 A Shares and 43,536,000 H Shares, respectively, as at the Latest Practicable Date, which in aggregate represents approximately 50.889% of the issued capital of the Company.

Since no other potential purchaser apply to participate in the Internet Bidding, Environment Company was determined as the transferee of the 20% equity interest in Derun Environment and entered into the Equity Transfer Agreement with Water Asset on 25 May 2017. Pursuant to the Equity Transfer Agreement, Environment Company agreed to acquire 20% equity interest in Derun Environment at the floor price of the listing of RMB4,408,644,500.

The purpose of this circular is to provide you with, among other things, (i) information on the Acquisition and the Acquisition Mandate; and (ii) other information required under the Listing Rules.

### **Details of the Internet Bidding**

Pursuant to the announcement issued by Assets and Equity Exchange on 6 April 2017, potential purchaser which meet with the participation requirements may participate the Internet Bidding through the platform provided by Assets and Equity Exchange. The participant who offers the highest bid price may enter into the Equity Transfer Agreement with Water Asset and acquire 20% equity interest in Derun Environment. Details of the Internet Bidding are as follows:

**(i) Listing Period**

From 7 April 2017 to 19 May 2017.

If no potential purchaser has been solicited upon expiry of the listing period, such listing period will be extended for a period of 5 business days whilst the listing conditions shall remain unchanged. The listing period can be extended for a 5 business-day period for at most 3 times.

**(ii) Vendor**

Water Asset.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, Water Asset, and its ultimate beneficial owners are independent third parties of the Company and its connected persons.

**(iii) Target Asset**

20% equity interest in Derun Environment owned by Water Asset.

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## LETTER FROM THE BOARD

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**(iv) *Minimum price of the listing***

The minimum price for the transfer is RMB4,408,644,500.

**(v) *Method of transaction***

If there is only one qualified potential purchaser upon expiry of the listing period, then the parties will enter into agreement and proceed with the transfer of the 20% equity interest in Derun Environment. If there are two or more qualified potential purchasers upon expiry of the listing period, then the transferee should be determined by multiple bidding process through the Internet Bidding.

Once a potential purchaser is determined as the transferee through the Internet Bidding and having paid the guarantee deposit of RMB500 million, it is legally obliged to enter into the Equity Transfer Agreement and acquire the 20% equity interest in Derun Environment. Should such transferee breaches its legal obligation and fails to proceed with the acquisition of 20% equity interest in Derun Environment, the guarantee deposit will be forfeited.

The Assets and Equity Exchange shall arrange for the Internet Bidding (if necessary).

**(vi) *Completion of the transaction***

After a potential purchaser has won the bid of the 20% equity interest in Derun Environment, it has to enter in the Equity Transfer Agreement with Water Asset within 5 business days. Pursuant to the Equity Transfer Agreement (draft) disclosed by Assets and Equity Exchange, the transferee is expected to pay the consideration to Water Asset within 5 business days after having entered into the Equity Transfer Agreement on an one-off basis. Water Asset and the transferee shall execute all relevant business registration documents within 5 business days after the full payment of the consideration, and submit those documents to the business registration authority and proceed with the transfer procedure in relation to the 20% equity interest in Derun Environment within 5 business days after all documents are in place.

**(vii) *Guarantee Deposit***

A potential purchaser shall pay a guarantee deposit of RMB500 million to Asset and Equity Exchange within 3 business days after it has been confirmed it is qualified to be the transferee. Such guarantee deposit will be deemed as penalty after deducting the service expense charged by Asset and Equity Exchange and be forfeited if the potential purchaser breaches the terms and conditions, such as withdrawing its application to be the transferee, failing to participate in the Internet Bidding, or failing to enter into the Equity Transfer Agreement after being confirmed as the transferee.



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## LETTER FROM THE BOARD

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**(viii) Undertaking by potential purchaser**

Potential purchaser shall submit a written undertaking when making the application to be a transferee of the 20% equity interest in Derun Environment, such undertakings should include, among others:

1. Such potential purchaser agrees to the entire contents of the draft Equity Transfer Agreement, the shareholders' agreement and articles of association of Derun Environment as enclosed to the announcement issued by Assets and Equity Exchange, and agrees to execute such documents within the prescribed time limit;
2. Upon transfer of the 20% equity interest in Derun Environment, such potential purchaser cannot directly or indirectly transfer its equity interest in Derun Environment to shareholder(s) of Derun Environment (including their associate or party acting in concert) other than Water Asset without Water Asset's consent, nor can it directly or indirectly receive any equity interest in Derun Environment from shareholder(s) of Derun Environment (including their associate or party acting in concert) other than Water Asset without Water Asset's consent;
3. Such potential purchaser cannot have any connected relationship or act in concert with other shareholder(s) of Derun Environment before or after entering into the Equity Transfer Agreement.

**(ix) Others**

Upon completion of the transfer of 20% equity interest in Derun Environment, the board of directors and supervisory committee of Derun Environment shall have 7 directors and 5 supervisors, among which the transferee is entitled to appoint one director and one supervisor.

If the business registration of the transfer of 20% equity interest in Derun Environment cannot be completed before the termination date, i.e. 5 August 2017, the other shareholders of Derun Environment refuse to waive their pre-emptive right in the 20% equity interest in Derun Environment again, and the parties to the transaction cannot reach an agreement on the extension of the said termination date, the transfer shall be terminated and the parties thereto will not be liable for any breach of contract. Nonetheless, if the business registration cannot be completed due to default of either party, such party shall be liable for the breach.

**Details of Environment Company's Participation in the Internet Bidding**

Since no other potential purchaser apply to participate in the Internet Bidding, Environment Company was determined as the transferee of the 20% equity interest in Derun Environment and entered into the Equity Transfer Agreement with Water Asset.

**(i) Maximum Bid Price, its determination basis and the actual consideration**

Prior to Environment Company applied for participation in the Internet Bidding, the Board had determined the Maximum Bid Price offered by Environment Company will not exceed RMB4.6 billion.

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## LETTER FROM THE BOARD

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The Maximum Bid Price was determined by the Board after having considered Derun Environment's assets composition, operation, development prospects, valuations of other comparable transactions in the market, and the valuation report provided by Huarong, the valuer. As set out in Appendix IV to this circular, in reaching its valuation, Huarong has considered the price-earnings ratios of 5 comparable merger and acquisition transactions which involve acquisition of unlisted environment related business by listed non-environmental companies for the whole value of Derun Environment, the price-earnings ratios of 6 A share companies and 5 H share companies which engaged in industrial environmental protection business similar to San Feng Environment for the value of San Feng Environment and the A share price of Water Group listed on the Shanghai Stock Exchange for the value of Water Group, both of which are major subsidiaries of Derun Environment. The Board has also considered the information in relation to the aforesaid comparable transactions and companies and is of the view the nature of the comparable transactions and the business of the comparable companies are similar to Derun Environment and/or its subsidiary. Taking into account the estimated value of Derun Environment which ranged between RMB4.5 billion to RMB4.7 billion pursuant to the valuation report, the Company selected the average value to RMB4.6 billion. Having discussed with Huarong and reviewed their report, and based on market experience and knowledge, the Board considered that the selection criteria of the comparables and the use of PE ratio analysis for the valuation of Derun Environment is fair and reasonable. Hence, the comparables is considered to be a fair and reasonable benchmark for determining the Maximum Bid Price.

Assuming the Acquisition proceeds with the Maximum Bid Price of RMB4.6 billion under the Acquisition Mandate, the Group will inject not exceeding RMB4.5 billion into Environment Company for payment of the consideration of Acquisition, which shall be funded by internal resources and borrowings. Assuming the Acquisition proceeds with the Maximum Bid Price of RMB4.6 billion under the Acquisition Mandate, it is expected not more than RMB1 billion of such consideration will be settled by borrowings while the remaining portion will be settled by the Group's internal resources. The Group has not entered into any agreement for obtaining borrowings as at the Latest Practicable Date. Having considered the Group's financial status, credit rating, credit records and previous cooperation with the banks, the Board is of the view that the Group is able to obtain sufficient financial resources for the consideration of the Acquisition.

Since no other potential purchaser apply to participate in the Internet Bidding, Environment Company was determined as the transferee of 20% equity interest in Derun Environment and entered into the Equity Transfer Agreement on 25 May 2017.

**(ii) *Entering into the Equity Transfer Agreement***

Details of the Equity Transfer Agreement are as follows:

***Date:*** 25 May 2017

***Parties:*** Water Asset (as vendor); and  
Environment Company (as purchaser)

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## LETTER FROM THE BOARD

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***Subject of the transaction:***

Pursuant to the Equity Transfer Agreement, Environment Company agreed to acquire 20% equity interest in Derun Environment from Water Asset.

***Consideration and payment method:***

Pursuant to the Equity Transfer Agreement, the consideration of the 20% equity interest in Derun Environment is the floor price of the listing of RMB4,408,644,500. Environment Company should pay the consideration to the Assets and Equity Exchange within 5 business days from the date of the Equity Transfer Agreement.

Within 10 business days after the parties having entered into the Equity Transfer Agreement and Environment Company having paid the consideration in full, Water Asset should submit the business registration materials in relation to the transfer of the 20% equity interest in Derun Environment to the relevant authorities. After having processed with the business registration procedures, Water Asset should produce the relevant proof to the Assets and Equity Exchange, and the Assets and Equity Exchange should transfer the said consideration into the designated account of Water Asset within 3 business days.

***Breach of agreement:***

If Environmental Company fails to pay the consideration on time, it is subject an overdue penalty, which is amount to 0.05% of the consideration (calculated on a daily basis). The aggregate amount of the overdue penalty shall not exceed 30% of the consideration.

Should the Acquisition cannot be completed due to breach of agreement by any party, the defaulting party is liable for a breach penalty of RMB500 million, such breach penalty shall be paid to the non-defaulting party after deducting the service expense charged by the Asset and Equity Exchange.

If the overdue penalty and/or the breach penalty is insufficient for compensating the direct economic loss of the non-defaulting party, the defaulting party shall also pay the outstanding amount to the non-defaulting party.

***Completion:***

Completion of the Acquisition shall take place on the completion date of the business registration. Upon completion, Derun Environment will be owned as to 54.9%, 25.1% and 20% by Water Asset, Suyu Industry and Environment Company, respectively.

If the business registration of the transfer of 20% equity interest in Derun Environment cannot be completed before the termination date, i.e. 5 August 2017, the other shareholders of Derun Environment refuse to waive their pre-emptive right in the 20% equity interest in Derun Environment again, and the parties to the transaction cannot reach an agreement on the extension of the said

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## LETTER FROM THE BOARD

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termination date, the transfer shall be terminated and the parties thereto will not be liable for any breach of contract. Nonetheless, if the business registration cannot be completed due to default of either party, such party shall be liable for the breach.

### INFORMATION ON DERUN ENVIRONMENT

Derun Environment is a company incorporated in the PRC with limited liability in October 2014 with a registered capital of RMB1 billion. It is owned as to 74.9% and 25.1% by Water Asset and Suyu Industry, respectively. The principal business of Derun Environment is investment holding, its major assets comprise of 50.04% equity interest in Water Group and 57.12% equity interest in San Feng Environment, which were acquired by Derun Environment in December 2015 and May 2015, respectively. The major source of income of Derun Environment comes from Water Group and San Feng Environment. The principal business of Water Group covers investment, construction, management, design and technical consultation service in relation to water supply and drainage project, and its income is mainly derived from the water supply business in Chongqing and other waste water treatment projects. Its major customers are the government and citizens in Chongqing. The principal business of San Feng Environment covers construction and operation of waste incineration power generation plants, and consultation service and development of environmental protection technology, and its income is mainly derived from the production and sale of incineration power generation facilities and investment, construction and operation of projects. Its major customers are the government of the area where the projects located. Depending on the circumstances of each of the environment projects, Water Group and San Feng Environment will implement business and operation models such as build-operation-transfer (BOT), toll-operation-transfer (TOT), operation and maintenance (O&M) and engineering, procurement and construction (EPC). The fees receivable by Water Group and San Feng Environment for the relevant projects are usually determined by the negotiations between the parties with reference to the relevant government guidance or requirements (if applicable), the costs of labour and resources involved, the then market fees of comparable transactions.

Derun Environment has approximately 6,725 employees, among which (i) approximately 5,236 employees work under Water Group and responsible for the production, operation, management therein; (ii) approximately 1,463 employees work under San Feng Environment and responsible for the production, operation, management therein; and (iii) approximately 26 employees work under Derun Environment, which 6 of them are senior management responsible for corporate management, 6 of them are under the comprehensive management department which is responsible for operation management, 10 of them are under the investment and marketing department which is responsible for investment and marketing, and 2 of them are under the finance department which is responsible for finance management.

Derun Environment intends to become a leading comprehensive urban environment protection service provider in the PRC in the coming decade through expansion in its business. It will integrate its resources in the environment protection industry and set up business system in areas such as waste water treatment, solid waste treatment, recovery of environment, resources recycling in order to establish a comprehensive environment protection service model with international competitive advantages.

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## LETTER FROM THE BOARD

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The consolidated financial information of Derun Environment for the two years ended 31 December 2015 and for the 11 months ended 30 November 2016 prepared by Ruihua is set out as follow:

	<b>For the year ended 31 December 2014 (audited) (RMB'000)</b>	<b>For the year ended 31 December 2015 (audited) (RMB'000)</b>	<b>For the 11 months ended 30 November 2016 (audited) (RMB'000)</b>
Net Profit (before tax, including minority interests)	1,677,614	1,727,562	1,808,988
Net Profit (after tax, attributable to owners of the company)	630,633	647,544	896,079
	<b>As at 31 December 2014 (audited) (RMB'000)</b>	<b>As at 31 December 2015 (audited) (RMB'000)</b>	<b>As at 30 November 2016 (audited) (RMB'000)</b>
Net Asset (including minority interests)	16,140,699	17,077,974	17,921,533
Net Asset (attributable to owners of the company)	6,759,362	9,226,541	9,654,425

*Note:* Derun Environment was incorporated on 14 October 2014. It successively acquired the equity interest in Water Group and San Feng Environment in 2015. Ruihua was engaged to audit the financial statements of Derun Environment for the two years ended 31 December 2015 and for the 11 months ended 30 November 2016 and prepare the audit report. The financial statements are prepared on the basis that Water Group and San Feng Environment are already existed in Derun Environment's group as at 1 January 2013 and such companies are deemed as having been included into Derun Environment's consolidated financial statements since 1 January 2013.

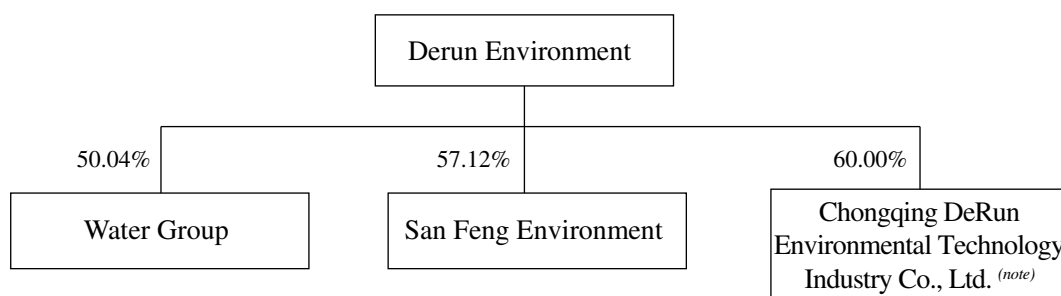
## LETTER FROM THE BOARD

The consolidated financial information of Derun Environment for the year ended 31 December 2016 and for the 3 months ended 31 March 2017 as provided by Derun Environment based on the Accounting Standards for Business Enterprises, is set out as follow:

	<b>For the year ended 31 December 2016 (Audited) (RMB'000)</b>	<b>For the 3 months ended 31 March 2017 (Unaudited) (RMB'000)</b>
Net Profit (before tax, including minority interests)	1,526,305	707,506
Net Profit (after tax, attributable to owners of the company)	723,561	348,826
	<b>As at 31 December 2016 (Note) (Audited) (RMB'000)</b>	<b>As at 31 March 2017 (Unaudited) (RMB'000)</b>
Net Asset (including minority interests)	17,801,363	18,527,538
Net Asset (attributable to owners of the company)	9,593,995	9,961,066

According to the valuation report prepared by Huarong, the fair value of 20% equity interest in Derun Environment as at 30 November 2017 is approximately RMB4,527,000,000.

The group structure of Derun Environment and its major subsidiaries is as follows:



*Note:* Chongqing Derun Environmental Technology Industry Co., Ltd. was established in August 2015 with a registered capital of RMB 300 million. It is currently still in the stage of subscription which has no significant values.

### Reasons for and benefits of the Acquisition

The Group principally engages in the investment, construction, operation and management of toll highways and roads, as well as other urban and transportation infrastructure facilities. As disclosed in the Company's 2016 annual report, apart from consolidating and enhancing of its main business of toll highway, the Group has carefully studied and taken into account the country's industrial policies and the Company's own

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## LETTER FROM THE BOARD

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advantages, adopted the strategic choice of having the large environmental protection industry that takes water environment treatment and solid waste treatment as the main content as its new direction for industry development.

Similar to the toll highway industry, the cooperation parties in the environmental protection industry are mainly the local governmental authorities and has the characteristic of franchising. Besides, the environmental protection business is a capital-intensive business which requires relatively strong financing capacity and business model design capabilities. In addition, investment in environmental protection business also requires stronger construction management capacity in order to ensure the construction cost is reasonable and secure the return during the operation period. The Company believes that the Group's experience in cooperation with local governments accumulated from its toll highway business, together with its good financing capacity, business model design capability and rich engineering construction management capability are important support for entering into the environmental protection industry.

As at the Latest Practicable Date, the contracted environmental protection business of the Group includes the investment construction management cooperation project of Shenzhen-Shantou Special Cooperation Zone Nanmen River water system comprehensive management phase I; The total investment amount of the aforesaid project is less than RMB500 million or 2% of the Group's total assets, which amounts to a relatively small portion in the Group's business. Comparing to the toll highway business, the business models available for environmental protection business are more flexible and diverse. The Group will give full play to its business model innovation ability and obtain a reasonable return on its investment, so as to achieve multi-win with the public and the government.

Derun Environment is a comprehensive environmental enterprise with two major business segments: water treatment and waste incineration power generation. The Directors believe it has stable profitability, abundant cash flow, strong scale advantages, regional competitive advantage and growth potentials. Through the acquisition of Derun Environment's equity interest by Environment Company at a reasonable price, the Company can expand the Group's environmental business and obtain a reasonable return on investment. On the other hand, the Company may also carry out deep-level cooperation with Derun Environment and complement each other's advantages in business development. Upon completion of the Acquisition, Environment Company may appoint one director and one supervisor in Derun Environment and recommend senior management member of Derun Environment, which provide an opportunity for the Group to accumulate management experience in the environmental protection industry and cultivate talents in the field of environmental protection.

Accordingly, the Group will participate and monitor the operation and management of Derun Environment in its capacity as a shareholder and through its aforesaid director, supervisor and senior management member pursuant to the rights and authority entitled to them under the articles of association of Derun Environment. Currently, several members of the Board and the senior management of the Company possess experience and expertise in environmental protection business, which include Mr. Cai Shu Guang, a Director, and Mr. Wen Po Wei, a vice president of the Company. The Company has not determined the candidates who will be act as the director and supervisor in Derun Environment at this stage, but in any event it will select management personnel with experience in environmental protection business, project investment and/or financial management as such candidates. It is expected that upon completion of the Acquisition, the Group will take part in the decision making process of Derun Environment by way of

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## LETTER FROM THE BOARD

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attending its board meeting, supervisory committee meeting and shareholders' meeting. The Group may also involve in Derun Environment's daily operation should the board or the supervisory committee appoint such role and responsibilities to the representatives of the Group in Derun Environment from time to time.

The Group will continue to consolidate and enhance its main business of toll highway, while also actively develop its new environment protection business. In line with its objectives of sustainable development, the Group does not preclude the possibility of acquiring further new business or disposing of its existing business in future. However, the Company currently has no intention and plan to acquire further equity interest in Derun Environment and other new business or dispose of its existing business.

The Board is of the view that the terms and conditions of the Acquisition are fair and reasonable and in the interests of the Company and its shareholders as a whole.

### **Information on the Company, Environment Company and Water Asset**

#### *The Company*

The Company and its subsidiaries are principally engaged in the investment, construction, operation and management of toll highways and roads, as well as other urban and transportation infrastructure facilities. It is a 50.889%-owned subsidiary of SZ International.

#### *Environment Company*

Environment Company is a company incorporated in the PRC with limited liability which principally engages in investment in environmental protection industry, environmental treatment engineering and environmental protection technology development. It is a wholly-owned subsidiary of the Company.

#### *Water Asset*

Water Asset is a company incorporated in the PRC with limited liability which principally engages in investment holding.

### **FINANCIAL EFFECT OF THE ACQUISITION**

Upon completion of the Acquisition, the Group will own 20% interest in Derun Environment. Derun Environment will become an associate of the Company and its financial statements will not be included into the consolidated financial statements of the Company. Assuming the Acquisition proceeds with the Maximum Bid Price of RMB4.6 billion under the Acquisition Mandate and approximately 20% of such consideration will be settled by borrowings while the remaining portion will be settled by the Group's internal resources, and based on the audited financial statements of the Group for the year ended 31 December 2016, the Group's total liability and total asset will increase by approximately RMB920 million, and the gearing ratio will increase by not more than approximately 1.26 percentage point. Pursuant to the audited financial information of Derun Environment for the three years ended 31 December 2015 and for the 11 months ended 30 November 2016 as set out in Appendix II to this circular, the net profit attributable to owners of Derun Environment for the aforesaid period is approximately RMB752,803,000, RMB630,633,000, RMB647,544,000 and RMB896,079,000, respectively. In accordance with the PRC



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## LETTER FROM THE BOARD

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accounting standards for business enterprises, the Group shall adjust the profit of Derun Environment to determine the corresponding investment income based on the fair value of the identifiable assets and liabilities of Derun Environment. Since the valuation on the fair value of the identifiable assets and liabilities of Derun Environment will be carried out after completion of the Acquisition, it is expected that the identifiable fair value of Derun Environment will range between its book value and the consideration of the Acquisition. Assuming the Acquisition will be completed by the end of May 2017, the Acquisition is expected to increase the Group's profit for 2017 by approximately RMB45 million to RMB120 million, representing approximately 3.85% to 10.26% of the audited profit of the Group for the year ended 31 December 2016.

### **Listing Rules Implications**

The applicable percentage ratios in respect of the Acquisition are more than 25% but less than 100%, and the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and Shareholders' approval requirement under Chapter 14 of the Listing Rules.

To the best knowledge, information and belief of the Directors, no Shareholder has material interest in the Acquisition and the Acquisition Mandate, and none of the Shareholders is required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition and the Acquisition Mandate.

Pursuant to Rule 14.44 of the Listing Rules, the Company has obtained written approvals of the Acquisition and the Acquisition Mandate from three wholly-owned subsidiaries of SZ International, namely, Xin Tong Chan Development (Shenzhen) Co., Ltd, Shenzhen Shen Guang Hui Highway Development Company and Advance Great Limited, which held 654,780,000 A Shares, 411,459,887 A Shares and 43,536,000 H Shares, respectively, as at the Latest Practicable Date, which in aggregate represents approximately 50.889% of the issued capital of the Company. As such, no extraordinary general meeting of the Company will be convened by the Company to approve the Acquisition and the Acquisition Mandate.

### **FURTHER INFORMATION**

An accountant report on Derun Environment has been prepared by Ruihua, the text of which is set out in Appendix II to this circular.

An unaudited pro forma financial information of the enlarged Group has been prepared by the Directors, and a report on the compilation of the unaudited pro forma financial information has been received from Ernst & Young, the text of which is set out in Appendix III to this circular.

A valuation report has been prepared by Huarong, the text of which is set out in Appendix IV to this circular.

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**LETTER FROM THE BOARD**

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Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,  
By Order of the Board of  
**Shenzhen Expressway Company Limited**  
**HU Wei**  
*Chairman*

**1. FINANCIAL SUMMARY OF THE GROUP**

The financial information of the Group for each of the three years ended 31 December 2016 are disclosed in the following documents which have been published on the websites of the HKEx ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.sz-expressway.com](http://www.sz-expressway.com)):

- (1) the Company's annual report for the year ended 31 December 2014 published on 10 April 2015 (<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0410/LTN20150410279.pdf>);
- (2) the Company's annual report for the year ended 31 December 2015 published on 12 April 2016 (<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0412/LTN20160412238.pdf>);  
and
- (3) the Company's annual report for the year ended 31 December 2016 published on 13 April 2017 (<http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0413/LTN20170413461.pdf>).

**2. WORKING CAPITAL**

Taking into account the financial resources available to the Group, including the internally generated funds and the available banking facilities, the Directors are in the opinion that the working capital available to the Group is sufficient for the Group's requirements for at least 12 months from the date of publication of this circular.

**3. INDEBTEDNESS**

As at 14 April 2017, being the latest practicable date for ascertaining certain information in this statement of indebtedness, the Enlarged Group had outstanding loans of RMB8,665 million which included secured (or pledged) long-term loans of RMB2,192 million with the toll collection rights of Qinglian Project and Waihuan Project as security for long-term loans amounting to RMB1,857 million and RMB334 million respectively; secured (or pledged) short-term loans of USD36 million (equivalent to RMB248 million) with the 45% equity of Jade Emperor Limited as security for short-term loans amounting to USD36 million (equivalent to RMB248 million); non-secured and non-guaranteed compensation of RMB6,206 million regarding toll adjustment of Nanguang Expressway, Yanpai Expressway and Yanba Expressway prepaid by Shenzhen Government; unsecured and unguaranteed loans due to CCCC Second Highway Engineering Co., Ltd. amounting to RMB20 million.

The Enlarged Group had 15-year-term secured corporate bonds in nominal value of RMB800 million which were guaranteed by China Construction Bank, Shenzhen Branch with a pledge of the Company's 100% interests in Shenzhen Meiguan Expressway Company Limited as counter-guarantee; 5-year term unsecured and unguaranteed dollar bond in nominal value of USD300 million; and 3-year term unsecured and unguaranteed medium-term notes in nominal value of RMB1,900 million. As of 14 April 2017, the carrying values of corporate bonds and medium-term notes were RMB2,828.49 million and RMB1,897.68 million, respectively.

At the close of business on 14 April 2017, contingent liabilities of the Enlarged Group comprised the following:

- 1) The Company was entrusted by Transport Commission to manage the construction of Nanping Phase II Project. Pursuant to the contract, the Company had arranged with bank to issue irrevocable performance guarantees to Transport Commission amounting to RMB15 million.
- 2) The Company was entrusted by Shenzhen Traffic Public Facilities Construction Center to manage the construction of Longda Municipal Section. Pursuant to the contract, the Company had arranged with bank to issue irrevocable performance guarantees to Shenzhen Traffic Public Facilities Construction Center amounting to RMB2 million.
- 3) The Company was entrusted by Shenzhen Longhua New Area Construction Management Center to manage the construction of the Intersection of Dezheng Road in Shenzhen Longhua New Area with Shenzhen Longda Expressway and the construction of the extension of the eastern section of Dezheng Road. Pursuant to the contract, the Company had arranged with bank to issue irrevocable performance guarantees to Shenzhen Longhua New Area Construction Management Center amounting to RMB35.85 million.
- 4) The Company was entrusted by Shenzhen Longhua New Area Construction Management Center to manage the construction of Guanlan People Road to Meiguan node. Pursuant to the contract, the Company had arranged with bank to issue irrevocable performance guarantees to Shenzhen Longhua New Area Construction Management Center amounting to RMB25.2735 million.
- 5) The Company was entrusted by Shenzhen Guangshen Coastal Expressway Investment Company to manage the construction of Coastal Expressway (Shenzhen Section). Pursuant to the contract, the Company had arranged with bank to issue irrevocable performance guarantees to Shenzhen Guangshen Coastal Expressway Investment Company amounting to RMB100 million.
- 6) Shenzhen Expressway Investment Company Limited (Investment Company), a subsidiary of the Company, participated in the bidding, which was held by Shenzhen-Shanwei Special Cooperation Zone Development and Construction Company Limited, for construction and management of comprehensive treatment phase I of the south-gate river system. Pursuant to the bidding document, Investment Company had arranged with bank to issue irrevocable performance guarantees to Shenzhen-Shanwei Special Cooperation Zone Development and Construction Company Limited amounting to RMB0.8 million.
- 7) Shenzhen Expressway Investment Company Limited (“Investment Company”), a subsidiary of the Company, was entrusted by the Shenzhen-Shanwei Special Cooperation Zone Development and Construction Company Limited to construct and manage comprehensive treatment phase I of the south-gate river system. According to the relevant project construction management contract agreement, the investment company had arranged with bank to issue irrevocable performance guarantees to Shenzhen-Shanwei Special Cooperation Zone Development and Construction Company Limited amounting to RMB10 million.

- 8) As at 14 April 2017, the Company guaranteed banks for its mortgaged home owners with associated surety responsibility amounting to RMB230.46 million.

Save as aforesaid and apart from intra-group liabilities and normal trade payables, the Enlarged Group did not have, at the close of business on 14 April 2017, any mortgages, charges, debentures, debt securities issued and outstanding, and authorized or otherwise created but unissued, outstanding borrowings or indebtedness in the nature of borrowing including term loans, bank overdrafts, liabilities under acceptances, acceptance credits, hire purchase and finance lease commitments or other similar indebtedness, or any guarantees or other material contingent liabilities.

#### **4. FINANCIAL AND TRADING PROSPECTS**

Looking ahead 2017, the Chinese economy continues to be at the bottom of the long cycle with downward pressure, but the deepening of the progress of the supply side reform helps to reduce such downward pressure. The ultra-high economic growth era of the PRC has ended, and the PRC has stepped into the “new normal” state of pursuing the stable growth with increase in quality. Under such circumstances, the Chinese economy is expected to continue to have a good momentum and potentials, which will maintain a relatively stable growth in the total demand for domestic road traffic. However, the Group is also aware of a series of challenges faced by the industry, which include limited operation period, increase in construction costs and operating costs, misunderstanding and pressure from public opinions, etc. In recent years, the Shenzhen government has also reached agreements with the Group to adjust the toll collection method of the toll highways operated by the Group. Although the agreements are win-win solutions based on the principle of marketization, the sustainable development of the Group still face a major challenge.

Based on the in-depth study on the development trend of the internal and external environment and combined with the national industrial policy and its own advantages, the Group will take environmental protection industry which mainly comprises water environment management, solid waste treatment as its new industry development direction. The acquisition of 20% equity interest in Derun Environment is an important step in the Group’s development in new industry, which is of great significance in the stabilization of the Company’s performance and to create new growth potentials.

In the new phase of the strategic development of the Group, the Group will continue to develop and consolidate its main business of toll highway operation, and further integrate its resources, give full play to its innovation capacity on financing business model, rely on resource integration and integration capabilities, and actively promote and implement new industrial investment in order to achieve the ultimate realization of the Group’s long-term, healthy development.

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

The following is the accountant report on Derun Environment prepared by Ruihua for the purpose of incorporation in this circular. The accountant report was prepared in Chinese only and set out below is an English translation of such report. In case of any discrepancies between the Chinese and the English versions of this report, the Chinese version shall prevail.



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郵政編碼(Post Code): 100077  
電話(Tel): +86(10)88095588 傳真(Fax): +86(10)88091199

In this circular, the following expressions have the meanings set out below unless the context requires otherwise:

“Reporting Accountants”	Ruihua certified public accountants (Limited Liability partnership)
“Target Company”	重慶德潤環境有限公司 (Chongqing Derun Environment Company Limited*), a limited liability company established in the People’s Republic of China
“Target Group”	Chongqing Derun Environment Company Limited and its subsidiaries
“Water Group”	重慶水務集團股份有限公司 (Chongqing Water Group Company Limited*), a limited liability company established in the People’s Republic of China, is the subsidiary of the Company, and its A-shares listed in Shanghai Stock Exchange.
“San Feng Environment”	重慶三峰環境產業集團有限公司 (Chongqing San Feng Environment Industrial Group Company Limited*), a limited liability company established in the People’s Republic of China, is the subsidiary of the Company
“Water Asset”	重慶市水務資產經營有限公司 (Chongqing Water Asset Management Company Limited*), a limited liability company established in the People’s Republic of China, is the parent company of the Company
“Suyu Industry”	重慶蘇渝實業發展有限公司 (Chongqing Suyu Industry Development Company Limited*), a limited liability company established in the People’s Republic of China
“DeRun Environmental Technology”	重慶德潤環保科技產業有限公司 (Chongqing DeRun Environmental Technology Industry Company Limited*), a limited liability company established in the People’s Republic of China, is the subsidiary of the Company
“HKD”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the people’s Republic of China
“RMB”	Renminbi, the lawful currency of the people’s Republic of China

English name \* is for identification purpose only

**ACCOUNTANTS' REPORT**

RUIHUA ZHUAN SHEN ZI NO.[2017] 50060001

**To Directors of Shenzhen Expressway Company Limited:****THE PURPOSE OF THIS REPORT**

Set out below are reports prepared by us on the financial information (“Financial Information”) of Chongqing Derun Environment Company Limited (“Target Company”) and its subsidiaries (collectively “Target Group”) as of eleven months ended 30 November 2016 and the three years ended 31 December 2015, 2014 and 2013 (“Relevant Periods”). The Financial Information was prepared pursuant to the basis set out in Note II of the Accountants’ Report, for inclusion in the circular which will be issued by Shenzhen Expressway Company Limited in respect of acquisition of 20% equity capital of the Target Company (the “Circular”).

**FINANCIAL INFORMATION OF THE TARGET GROUP**

The Financial Information of the Target Group includes consolidated statements of financial position on 30 November 2016, 31 December 2015, 31 December 2014 and 31 December 2013; consolidated statements of profit or loss and other comprehensive income, statements of cash flow, statements of changes in equity, and notes to financial statements for the Relevant Periods.

**BASIC INFORMATION**

For the basic information of the Target Company, please refer to Note I of the Accountants’ Report for the details.

The Target Group adopts 31 December as their financial year end date. At the date of this report, details of subsidiaries of the Target Group are set out in Note VIII 1 of the Accountants’ Report.

The preparation of consolidated statements of financial position on 30 November 2016, 31 December 2015, consolidated statements of profit or loss and other comprehensive income, statements of cash flow, statements of changes in equity and notes of financial statements in 2015 and from January to November in 2016 is based on *Accounting Standards for Business Enterprises*.

The preparation of consolidated statements of financial position on 31 December 2014, 31 December 2013, consolidated statements of profit or loss and other comprehensive income, statements of cash flow, statements of changes in equity and notes of financial statements in 2014 and 2013 is based on “special compiled basis”.

The Target Company is the parent company of the Target Group. The financial statements of it in year 2015/ended 31 December 2015 was audited and the report was issued by Lixin certified public accountants (Limited Liability partnership), the financial statements of it in 2014 hasn’t been audited. Chongqing Water Group Company Limited (“Water Group”), is the subsidiary of the Target Group. the financial statements of it in 2015/ended 31 December 2015 and in 2014/ended 31 December 2014 was audited and the reports were

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## **APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT**

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issued by Lixin certified public accountants (Limited Liability partnership), the financial statements of it in 2013/ended 31 December 2013 was audited and the report was issued by Daxin certified public accountants (Limited Liability partnership). Chongqing San Feng Environment Industrial Group Co., Ltd. (“San Feng Environment”), is the subsidiary of the Target Group, the financial statements of it in 2015/ended 31 December 2015 and in 2014/ended 31 December 2014 was audited and the reports were issued by Lixin certified public accountants (Limited Liability partnership), the financial statements of it in 2013/ended 31 December 2013 was audited and the report was issued by Ruihua certified public accountants (Limited Liability partnership). Chongqing DeRun Environmental Technology Industry Company Limited (“DeRun Environmental Technology”), is the subsidiary of the Target Group, the financial statements of it in 2015 hasn’t been audited. The above mentioned auditing was executed in accordance with the requirements of Accounting Standards for Business Enterprises promulgated by Ministry of Finance of the People’s Republic of China.

### **RESPONSIBILITY OF THE DIRECTORS OF THE TARGET COMPANY TO FINANCIAL INFORMATION**

For the purpose of this report, the directors of the Target Company have made a true and fair presentation on the Financial Statements of the Target Group for the Relevant Periods, under the basis set out in Note II.1 and in accordance with the Accounting Standards for Business Enterprises promulgated by Ministry of Finance of the People’s Republic of China and The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The directors of the Target Group must take the full responsibility for this.

### **RESPONSIBILITY OF THE REPORTING ACCOUNTANTS**

The Financial Information accompanying this report was prepared in accordance with relevant financial statements which are without any adjustments. Our responsibilities are to prepare Financial Information to be set out in this report in accordance with relevant financial statements, provide our independent opinion on the Financial Information, and report our opinion to you. For the purpose of this report, we have audited related financial statements, and make other necessary procedures in accordance with the Chinese Certified Public Accountants Auditing Standards and the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountants” issued by the Hong Kong Institute of Certified Public Accountants.

### **AUDIT OPINION**

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the financial position of the Target Group as at 30 November 2016, 31 December 2015, 31 December 2014 and 31 December 2013 respectively, and the financial performance and cash flows of the Target Group for the Relevant Periods. We are in the opinion that this report on the Financial Information of the Target Group for the Relevant Periods has been prepared in accordance with the *Accounting Standards for Business Enterprises* promulgated by Ministry of Finance of the People’s Republic of China (CASBE).



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## **APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT**

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### **REVIEW OF COMPARATIVE FINANCIAL INFORMATION AT THE ADDITIONAL REPORTING PERIOD**

We have reviewed the comparative financial information contained in this report, including consolidated statements of profit or loss and other comprehensive income, statements of cash flow, statements of changes in equity and notes to the Financial Information of the Target Group for eleven months ended 30 November Year 2015.

The directors of the Target Company prepared the comparative Financial Information under the basis set out in Note II.1 and in accordance with the Accounting Standards for Business Enterprises promulgated by Ministry of Finance of the People's Republic of China, and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

Our responsibilities are to make a conclusion on the comparative financial information based on our review. Our review has been made under the Chinese Certified Public Accountants Auditing Standards No.2101-Review of Financial Statements. Our review of comparative financial information includes making inquiries to persons primarily responsible for financial and accounting matters, and applying analytical and other review procedures. Our review excludes audit procedures such as control tests and verification of assets and liabilities, and transactions. The scope of our review is substantially less than that of an audit, and consequently we would not express any audit opinion on the comparative financial information.

#### **REVIEW CONCLUSIONS:**

Based on our review, we are not aware of any matter that causes us to believe that the comparative Financial Information in all material respects during additional reporting period was not prepared in accordance with the basis set out in Note II for the purpose of this Accountants' Report.

**Ruihua Certified Public Accountants (Limited Liability Partnership)**

Beijing, China

29/05/2017

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

### CONSOLIDATED BALANCE SHEET

Name of the enterprise: Derun Environment Company Limited

(Monetary Unit: RMB Yuan)

Item	Notes	30 November 2016	31 December 2015	31 December 2014	31 December 2013
<b>Current assets:</b>					
Cash and cash equivalents	VI. 1	7,162,589,103.61	6,671,607,787.03	4,638,282,197.40	5,609,147,414.91
Financial assets at fair value through profit or loss	VI. 2			4,535,352.88	3,799,458.99
Derivative financial assets					
Notes receivable	VI. 3	22,057,126.90	14,660,000.00	15,500,000.00	4,800,000.00
Accounts receivable	VI. 4	1,850,944,272.86	1,333,640,848.51	1,044,262,142.34	820,289,776.80
Advances paid	VI. 5	358,017,809.26	327,823,568.27	293,786,981.08	199,887,022.22
Interest receivable	VI. 6	8,424,066.89		3,037,615.31	8,498,632.36
Dividend receivable					
Other receivables	VI. 7	342,666,132.41	1,351,987,790.65	3,609,992,961.60	149,582,637.84
Inventories	VI. 8	811,680,466.40	780,296,179.59	435,748,722.98	213,350,859.27
Assets classified as held for sale	VI. 9				2,426,106,000.00
Non-current assets due within one year	VI. 10	4,520,221.88	408,533,333.33	8,666,666.67	70,435,604.97
Other current assets	VI. 11	1,637,188,514.54	104,296,160.33	81,248,751.45	89,262,885.02
<b>Total current assets</b>		<b>12,198,087,714.75</b>	<b>10,992,845,667.71</b>	<b>10,135,061,391.71</b>	<b>9,595,160,292.38</b>
<b>Non-current assets</b>					
Available-for-sale financial assets	VI. 12	490,590,302.30	493,048,439.70	492,354,882.75	479,640,829.51
Held-to-maturity investments	VI. 13			850,000,000.00	670,000,000.00
Long-term receivables	VI. 14	577,888,714.31	510,454,065.63	321,792,487.07	471,675,754.11
Long-term equity investments	VI. 15	1,222,082,313.39	1,035,528,110.83	1,009,690,985.07	960,696,612.86
Investment properties	VI. 16	133,827,937.19	142,583,891.66	147,297,036.14	151,910,700.81
Fixed assets	VI. 17	7,525,572,206.30	6,862,529,944.34	7,110,353,748.24	7,160,378,040.95
Construction in progress	VI. 18	2,958,134,057.78	3,235,824,530.67	2,324,108,667.99	1,486,957,759.92
Construction materials	VI. 19	14,085,477.22	12,582,960.88	14,253,909.59	17,204,025.45
Fixed assets disposal	VI. 20	29,747,848.70			
Productive biological assets					
Oil and gas assets					
Intangible assets	VI. 21	4,363,433,957.60	3,426,466,295.49	3,101,636,705.96	3,005,009,744.49
Development costs					
Goodwill	VI. 22	572,401,938.71	572,401,938.71	572,401,938.71	572,401,938.71
Long-term prepayments					
Deferred tax assets	VI. 23	47,316,346.00	40,634,402.10	25,273,668.83	41,214,401.38
Other non-current assets	VI. 24	174,494,933.89	94,149,048.51	160,757,986.97	241,965,965.40
<b>Total non-current assets</b>		<b>18,109,576,033.39</b>	<b>16,426,203,628.52</b>	<b>16,129,922,017.32</b>	<b>15,259,055,773.59</b>
<b>Total assets</b>		<b>30,307,663,748.14</b>	<b>27,419,049,296.23</b>	<b>26,264,983,409.03</b>	<b>24,854,216,065.97</b>

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

Item	Notes	30 November 2016	31 December 2015	31 December 2014	31 December 2013
<b>Current liabilities</b>					
Short-term borrowings	VI. 25	205,000,000.00	180,000,000.00		
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities					
Notes payable	VI. 26		2,115,165.01	2,000,000.00	
Accounts payable	VI. 27	2,384,088,970.46	2,074,310,998.40	1,625,600,777.59	1,155,138,467.37
Advances received	VI. 28	1,320,187,126.31	1,059,713,186.55	752,280,112.84	454,822,168.10
Employee benefits payable	VI. 29	239,471,643.17	283,871,661.18	153,199,434.98	105,186,684.72
Taxes and rates payable	VI. 30	670,725,524.13	383,846,546.63	142,144,206.83	146,759,718.76
Interest payable	VI. 31	15,348,978.41	2,777,513.98	1,266,520.61	435,302.09
Dividend payable	VI. 32	1,430,780.00	3,751,859.62	3,557,629.94	2,699,730.00
Other payables	VI. 33	473,730,564.39	375,706,834.19	595,356,345.74	416,871,270.08
Liabilities classified as held for sale					
Non-current liabilities due within one year	VI. 34	425,232,950.31	212,666,748.25	1,911,697,522.07	81,891,482.50
Other current liabilities					
<b>Total current liabilities</b>		<b>5,735,216,537.18</b>	<b>4,578,760,513.81</b>	<b>5,187,102,550.60</b>	<b>2,363,804,823.62</b>
<b>Non-current liabilities</b>					
Long-term borrowings	VI. 35	3,224,562,458.35	3,085,689,068.99	2,329,853,732.11	2,461,904,051.07
Bonds payable	VI. 36	1,563,964,931.66	1,570,277,260.39	1,570,277,260.35	3,331,081,143.33
Including: Preferred Shares					
Perpetual bonds					
Long-term payable	VI. 37	146,758,618.11	105,800,626.06	105,800,626.06	105,800,626.06
Long-term employee benefits payable					
Special payables estimated liabilities	VI. 39	429,077,676.50	441,387,676.50	471,627,676.50	411,627,676.50
Deferred income	VI. 38	608,550,274.02	556,967,965.39	456,809,338.56	374,390,858.38
Deferred tax liabilities		3,000,396.47	2,192,309.57	2,813,493.85	54,550,267.21
Other non-current liabilities	VI. 40	675,000,000.00			
<b>Total non-current liabilities</b>		<b>6,650,914,355.11</b>	<b>5,762,314,906.90</b>	<b>4,937,182,127.43</b>	<b>6,739,354,622.55</b>

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

Item	Notes	30 November 2016	31 December 2015	31 December 2014	31 December 2013
<b>Total liabilities</b>		<b>12,386,130,892.29</b>	<b>10,341,075,420.71</b>	<b>10,124,284,678.03</b>	<b>9,103,159,446.17</b>
<b>Equity:</b>					
Paid-in capital	VI. 41	1,000,000,000.00	94,275,014.96	10,000,000.00	
Other equity instruments					
Including: Preferred Shares					
Perpetual bonds					
Capital reserve	VI. 42	6,549,995,819.35	7,393,588,051.56	5,056,599,006.27	5,049,890,406.27
Less: treasury shares					
Other comprehensive income	VI. 43	-781,430.88	-453,900.61	725,533.15	-22,824,670.55
Special reserve					
Surplus reserve	VI. 44	61,232,590.00			
General risk reserve					
Undistributed profits	VI. 45	2,043,977,654.49	1,739,131,643.65	1,692,037,680.42	1,535,766,029.91
Total equity attributable to the parent company		9,654,424,632.96	9,226,540,809.56	6,759,362,219.84	6,562,831,765.63
Minority interest		8,267,108,222.89	7,851,433,065.96	9,381,336,511.16	9,188,224,854.17
<b>Total equity</b>		<b>17,921,532,855.85</b>	<b>17,077,973,875.52</b>	<b>16,140,698,731.00</b>	<b>15,751,056,619.80</b>
<b>Total liabilities and equity</b>		<b>30,307,663,748.14</b>	<b>27,419,049,296.23</b>	<b>26,264,983,409.03</b>	<b>24,854,216,065.97</b>

Legal representative:      Responsible person in charge of accounting:      Person in charge of accounting institution:

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

### CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Name of the enterprise: Derun Environment Company Limited

(Monetary Unit: RMB Yuan)

Item	Notes	Jan.-Nov., 2016	Jan.-Nov., 2015 (unaudited)	2015	2014	2013
Total operating revenue		6,609,992,495.21	5,543,685,104.39	6,438,243,930.71	5,621,183,823.08	5,160,663,348.54
Including: Operating income	VI. 46	6,609,992,495.21	5,543,685,104.39	6,438,243,930.71	5,621,183,823.08	5,160,663,348.54
Interest proceeds						
Premium earned						
Revenue from handling charges and commission						
Total operating cost		5,264,108,759.02	4,150,912,039.24	5,223,454,337.32	4,332,863,160.54	3,601,511,260.03
Including: Operating cost	VI. 46	4,120,980,645.09	3,224,535,228.54	3,950,599,146.93	3,251,639,153.93	2,812,896,463.43
Interest expense						
Handling charges and commission expenditures						
Surrender value						
Net payment of insurance claims						
Net provision of insurance reserve						
Premium bonus expenditures						
Reinsurance expense						
Taxes & surcharge for operations	VI. 47	98,362,625.61	48,824,660.83	72,242,704.35	48,740,328.14	35,734,332.43
Selling expenses	VI. 48	104,390,316.15	129,666,500.97	197,243,377.31	150,323,574.49	62,447,174.67
Administrative expenses	VI. 49	679,258,886.81	594,756,988.39	794,922,783.00	735,116,659.31	608,516,128.97
Financial expenses	VI. 50	174,594,753.76	135,222,486.57	125,813,379.67	109,287,219.32	-75,793,176.09
Assets impairment loss	VI. 51	86,521,531.60	17,906,173.94	82,632,946.06	37,756,225.35	157,710,336.62
Add: gains on changes of fair value (or less: losses)	VI. 52			-350,056.02	742,449.39	423,318.12
Investment income (or less: losses)	VI. 53	162,174,155.54	216,177,957.59	281,828,098.57	196,516,292.06	342,972,340.71
including: investment income from associates and joint ventures		54,680,586.10	34,732,830.65	83,337,125.76	56,747,424.11	46,549,287.00
Gains on foreign exchange (or less: losses)						
Operating profit (or less: losses)		1,508,057,891.73	1,608,951,022.74	1,496,267,635.94	1,485,579,403.99	1,902,547,747.34
Add: Non-operating income	VI. 54	310,307,583.13	152,262,056.43	248,663,886.70	205,398,109.94	236,763,460.36
Including: Gains on disposal of non-current assets		5,696,782.54	1,035,499.76	1,187,386.56	295,455.76	1,432,291.58
Less: Non-operating expenses	VI. 55	9,377,600.88	6,269,850.62	17,369,272.51	13,363,849.17	25,280,437.94
Including: losses on disposal of non-current assets		812,924.90	598,336.61	7,802,976.25	5,253,166.11	3,638,857.01
IV. Profit before tax		1,808,987,873.98	1,754,943,228.55	1,727,562,250.13	1,677,613,664.76	2,114,030,769.76
Less: income tax	VI. 56	102,898,848.22	53,700,967.05	50,495,193.92	9,443,695.16	79,827,094.56

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

Item	<i>Notes</i>	Jan.-Nov., 2016	Jan.-Nov., 2015 (unaudited)	2015	2014	2013
V. Net profit		1,706,089,025.76	1,701,242,261.50	1,677,067,056.21	1,668,169,969.60	2,034,203,675.20
Net profit attributable to owners of parent company		896,078,600.84	668,807,575.28	647,543,963.23	630,632,905.04	752,802,836.11
Minority interests		810,010,424.92	1,032,434,686.22	1,029,523,092.98	1,037,537,064.56	1,281,400,839.09
VI. Other comprehensive income after tax		-654,569.62	-2,769,333.01	-3,222,496.60	64,344,818.86	19,389,108.55
Items attributable to the owners of the parent company		-327,530.27	-892,917.41	-1,179,433.76	23,550,203.70	7,096,413.73
(I) Item that will not be reclassified subsequently to profit or loss						
Changes in re-measurement on the net defined benefit liability/asset						
II. Items attributable to investees under equity method that will not be reclassified to profit or loss						
(II) To be reclassified subsequently to profit or loss		-654,569.62	-2,769,333.01	-3,222,496.60	64,344,818.86	19,389,108.55
1. Items attributable to investees under equity method that may be reclassified to profit or loss					53,172,920.70	21,483,797.40
2. Profit or loss from changes in fair value of available-for-sale financial assets		-654,569.62	-2,769,333.01	-3,222,496.60	11,171,898.16	-2,094,688.85
3. Profit or loss from reclassification of held-to-maturity investments as available-for-sale assets						
4. Profit or loss on cash flow hedging						
5. Translation reserve						
6. Others						
Items attributable to non-controlling shareholders		-327,039.35	-1,876,415.60	-2,043,062.84	40,794,615.16	12,292,694.82
VII. Total comprehensive income		1,705,434,456.14	1,698,472,928.49	1,673,844,559.61	1,732,514,788.46	2,053,592,783.75
Items attributable to owners of parent company		895,751,070.57	667,914,657.87	646,364,529.47	654,183,108.74	759,899,249.84
Items attributable to non-controlling interest		809,683,385.57	1,030,558,270.62	1,027,480,030.14	1,078,331,679.72	1,293,693,533.91
VIII. earnings per share (not fit for limited liability company)						
Basic earnings per share						
Diluted earnings per share						

Legal representative:      Responsible person in charge of accounting:      Person in charge of accounting institution:

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

### CASH FLOW STATEMENT

Name of the enterprise: Derun Environment Company Limited

(Monetary Unit: RMB Yuan)

Item	Notes	Jan.-Nov., 2016	Jan.-Nov., 2015 (unaudited)	2015	2014	2013
I. Cash Flows from Operating Activities						
Cash received from sales of goods or rendering services		6,600,903,916.08	6,020,077,156.04	6,579,001,829.91	6,242,347,674.57	5,571,138,923.31
Refunds of taxes		127,736,389.25	80,966,213.24	163,875,269.70	150,735,172.82	124,777,844.86
Other cash received relating to operating activities	VI. 57	1,094,376,677.02	774,532,201.95	832,467,333.34	1,149,082,117.51	784,728,798.91
Sub-total of cash inflows		7,823,016,982.35	6,875,575,571.23	7,575,344,432.95	7,542,164,964.90	6,480,645,567.08
Cash payments for goods purchased and services received		2,958,739,757.17	2,505,216,792.08	2,825,710,508.63	2,626,112,684.88	1,941,781,618.95
Cash paid to and on behalf of employees		823,692,916.60	682,972,193.45	779,370,371.84	708,995,657.76	668,800,341.35
Cash payments for taxes and rates		538,874,544.78	475,581,533.10	447,185,505.04	386,237,174.49	345,567,877.26
Other cash payments related to operating activities	VI. 57	1,001,032,966.59	785,949,951.69	1,063,174,564.34	1,291,585,382.24	741,045,109.53
Subtotal cash outflows from operating activities		5,322,340,185.14	4,449,720,470.32	5,115,440,949.85	5,012,930,899.37	3,697,194,947.09
Net cash flows from operating activities		2,500,676,797.21	2,425,855,100.91	2,459,903,483.10	2,529,234,065.53	2,783,450,619.99
II. Cash Flows from Investing Activities						
Cash received from return of investments		7,101,407,670.00	6,257,681,030.12	6,557,681,030.12	6,596,496,469.74	600,000.00
Cash received from distribution of dividends or profits		110,538,398.02	240,682,154.37	257,388,821.04	205,872,561.19	125,413,692.39
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		9,146,857.92	807,396.04	7,616,569.75	355,027.00	2,740,262.00
Net cash receipts from the disposal of subsidiaries and other business units						
Other cash receipts related to investing activities	VI. 57	215,814,219.39	70,343,939.64	72,034,442.78	37,949,253.13	86,392,410.47
Subtotal of cash inflows from investing activities		7,436,907,145.33	6,569,514,520.17	6,894,720,863.69	6,840,673,311.06	215,146,364.86
Cash payments for acquiring fixed assets, intangible assets and other long-term assets		1,404,210,179.49	1,368,774,268.89	1,433,592,277.68	1,269,716,128.94	1,191,159,347.94
Cash payments for acquiring investments		7,419,500,000.00	2,904,878,310.92	3,909,378,310.92	7,555,431,280.00	752,835,959.04
Net increase of Pledge loans						
Net cash payments for acquiring subsidiaries & other business units		79,915,222.24		2,953,056.38		76,351,707.12

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

Item	<i>Notes</i>	Jan.-Nov., 2016	Jan.-Nov., 2015 (unaudited)	2015	2014	2013
Other cash payments related to investing activities	VI. 57	6,259,438.98	30,644,714.52	50,146,327.14	13,689,569.49	17,433,542.83
Subtotal of cash outflows from investing activities		8,909,884,840.71	4,304,297,294.33	5,396,069,972.12	8,838,836,978.43	2,037,780,556.93
Net cash flows from investing activities		-1,472,977,695.38	2,265,217,225.84	1,498,650,891.57	-1,998,163,667.37	-1,822,634,192.07
<b>III. Cash Flows from Financing Activities</b>						
Cash receipts from investment by others		59,010,000.00	19,500,000.00	471,382,360.71	12,000,000.00	
Including: cash received by subsidiaries from non-controlling shareholders as investments			11,300,000.00	11,300,000.00	2,000,000.00	
Proceeds from borrowings		1,541,500,184.55	914,551,006.45	1,172,256,042.31	264,937,183.66	1,907,702,837.81
Proceeds from issuing bonds						
Other proceeds relating to financing activities	VI. 57	9,500,000.00			220,000,000.00	87,000,000.00
Subtotal of cash inflows from financing activities		1,610,010,184.55	934,051,006.45	1,643,638,403.02	496,937,183.66	1,994,702,837.81
Cash payments for the repayments of borrowings		780,147,843.72	1,857,656,795.92	1,925,874,665.52	244,762,890.29	147,315,321.21
Cash payments for distribution of dividends or profits and for interest expenses		1,337,511,625.56	1,471,371,502.62	1,501,221,424.58	1,596,581,091.62	1,471,097,600.95
Including: cash paid for distribution of dividends or profits by subsidiaries to minority owners		623,532,000.00	330,507,546.12	330,507,546.12	381,495,600.00	350,031,750.00
Other cash payments relating to financing activities	VI. 57	19,385,862.65	140,000,000.00	140,000,000.00	167,004,861.06	
Subtotal of cash outflows from financing activities		2,137,045,331.93	3,469,028,298.54	3,567,096,090.10	2,008,348,842.97	1,618,412,922.16
Net cash flows from financing activities		-527,035,147.38	-2,534,977,292.09	-1,923,457,687.08	-1,511,411,659.31	376,289,915.65
IV. Effect of Foreign Exchange Rate Changes on Cash and cash equivalents		188,348.19	149,056.04	116,029.56	-15,013.57	-871,326.62
V. Net Increase in Cash and Cash Equivalents		500,852,302.64	2,156,244,090.70	2,035,212,717.15	-980,356,274.72	1,336,235,016.95
Add: Opening balance of cash and cash equivalents		6,647,113,360.81	4,611,900,643.66	4,611,900,643.66	5,592,256,918.38	4,256,021,901.43
VI. Closing balance of cash and cash equivalents		7,147,965,663.45	6,768,144,734.36	6,647,113,360.81	4,611,900,643.66	5,592,256,918.38

Legal representative:      Responsible person in charge of accounting:      Person in charge of accounting institution:



## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

### STATEMENT OF CHANGES IN EQUITY

Name of the enterprise: Derun Environment Company Limited

Jan.-Nov., 2016

(Monetary Unit: RMB Yuan)

Item	Attributable to the parent company shareholders' rights and interests of the shareholders											Non-controlling interest	Total equity
	Paid-in capital	Other equity instruments			Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit		
		Preferred shares	Perpetual bonds	Others									
I. Balance at the end of prior year	94,275,014.96				7,393,588,051.56		-453,900.61				1,739,131,643.65	7,851,433,065.96	17,077,973,875.52
Add: cumulative changes of accounting policies													
Error correction of prior period													
Business combination under common control													
Others													
II. Balance at the beginning of current year	94,275,014.96				7,393,588,051.56		-453,900.61				1,739,131,643.65	7,851,433,065.96	17,077,973,875.52
III. Current period increase (or less: decrease)	905,724,985.04				-843,592,232.21		-327,530.27		61,232,590.00		304,846,010.84	415,675,156.93	843,558,980.33
(I) Total comprehensive income							-327,530.27				896,078,600.84	809,683,385.57	1,705,434,456.14
(II) Capital contributed or withdrawn by owners					62,132,752.83							229,523,771.36	291,656,524.19
1. Capital contributed by owners													
2. Capital contributed by holders of other equity instruments													
3. Amount of share-based payment included in equity													
4. Others					62,132,752.83							229,523,771.36	291,656,524.19
(III) Profit distribution									61,232,590.00		-591,232,590.00	-623,532,000.00	-1,153,532,000.00
1. Appropriation of surplus reserve									61,232,590.00		-61,232,590.00		
2. Appropriation of general risk reserve													
3. Appropriation of profit to owners											-530,000,000.00	-623,532,000.00	-1,153,532,000.00
4. Others													
(IV) Internal carry-over within equity	905,724,985.04				-905,724,985.04								
1. Transfer of capital reserve to capital	905,724,985.04				-905,724,985.04								
2. Transfer of surplus reserve to capital													
3. Surplus reserve to cover losses													
4. Others													
(V) Special reserve													
1. Appropriation of current period													
2. Application of current period													
(VI) Others													
IV. Balance at the end of current period	1,000,000,000.00				6,549,995,819.35		-781,430.88		61,232,590.00		2,043,977,654.49	8,267,108,222.89	17,921,532,855.85

Legal representative:      Responsible person in charge of accounting:      Person in charge of accounting institution:

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

### STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Name of the enterprise: Derun Environment Company Limited

Jan.-Nov., 2015 (unaudited)

(Monetary Unit: RMB Yuan)

Item	Attributable to the parent company shareholders' rights and interests of the shareholders											Non-controlling interest	Total equity
	Paid-in capital	Other equity instruments			Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit		
		Preferred shares	Perpetual bonds	Others									
I. Balance at the end of prior year	10,000,000.00				5,056,599,006.27		725,533.15				1,692,037,680.42	9,381,336,511.16	16,140,698,731.00
Add: cumulative changes of accounting policies													
Error correction of prior period													
Business combination under common control													
Others													
II. Balance at the beginning of current year	10,000,000.00				5,056,599,006.27		725,533.15				1,692,037,680.42	9,381,336,511.16	16,140,698,731.00
III. Current period increase (or less: decrease)					170,453,003.31		-892,917.41				68,357,575.28	296,525,330.08	534,442,991.26
(I) Total comprehensive income							-892,917.41				668,807,575.28	1,030,558,270.62	1,698,472,928.49
(II) Capital contributed or withdrawn by owners					170,453,003.31							-112,438,840.54	58,014,162.77
1. Capital contributed by owners													
2. Capital contributed by holders of other equity instruments													
3. Amount of share-based payment included in equity													
4. Others					170,453,003.31							-112,438,840.54	58,014,162.77
(III) Profit distribution											-600,450,000.00	-621,594,100.00	-1,222,044,100.00
1. Appropriation of surplus reserve													
2. Appropriation of general risk reserve													
3. Appropriation of profit to owners											-600,450,000.00	-621,594,100.00	-1,222,044,100.00
4. Others													
(IV) Internal carry-over within equity													
1. Transfer of capital reserve to capital													
2. Transfer of surplus reserve to capital													
3. Surplus reserve to cover losses													
4. Others													
(V) Special reserve													
1. Appropriation of current period													
2. Application of current period													
(VI) Others													
IV. Balance at the end of current period	10,000,000.00				5,227,052,009.58		-167,384.26				1,760,395,255.70	9,677,861,841.24	16,675,141,722.26

Legal representative:      Responsible person in charge of accounting:      Person in charge of accounting institution:

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

### STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Name of the enterprise: Derun Environment Company Limited

2015

(Monetary Unit: RMB Yuan)

Item	Attributable to the parent company shareholders' rights and interests of the shareholders											Non-controlling interest	Total equity
	Paid-in capital	Other equity instruments			Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit		
		Preferred shares	Perpetual bonds	Others									
I. Balance at the end of prior year	10,000,000.00				5,056,599,006.27		725,533.15				1,692,037,680.42	9,381,336,511.16	16,140,698,731.00
Add: cumulative changes of accounting policies													
Error correction of prior period													
Business combination under common control													
Others													
II. Balance at the beginning of current year	10,000,000.00				5,056,599,006.27		725,533.15				1,692,037,680.42	9,381,336,511.16	16,140,698,731.00
III. Current period increase (or less: decrease)	84,275,014.96				2,336,989,045.29		-1,179,433.76				47,093,963.23	-1,529,903,445.20	937,275,144.52
(I) Total comprehensive income							-1,179,433.76				647,543,963.23	1,027,480,030.14	1,673,844,559.61
(II) Capital contributed or withdrawn by owners	84,275,014.96				2,336,989,045.29							-1,925,881,699.54	495,382,360.71
1. Capital contributed by owners	84,275,014.96				9,311,600,381.08								9,395,875,396.04
2. Capital contributed by holders of other equity instruments													
3. Amount of share-based payment included in equity													
4. Others					-6,974,611,335.79							-1,925,881,699.54	-8,900,493,035.33
(III) Profit distribution											-600,450,000.00	-631,501,775.80	-1,231,951,775.80
1. Appropriation of surplus reserve													
2. Appropriation of general risk reserve													
3. Appropriation of profit to owners											-600,450,000.00	-631,501,775.80	-1,231,951,775.80
4. Others													
(IV) Internal carry-over within equity													
1. Transfer of capital reserve to capital													
2. Transfer of surplus reserve to capital													
3. Surplus reserve to cover losses													
4. Others													
(V) Special reserve													
1. Appropriation of current period								77,000.00					77,000.00
2. Application of current period								77,000.00					77,000.00
(VI) Others													
IV. Balance at the end of current period	94,275,014.96				7,393,588,051.56		-453,900.61				1,739,131,643.65	7,851,433,065.96	17,077,973,875.52

Legal representative:      Responsible person in charge of accounting:      Person in charge of accounting institution:

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

### STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Name of the enterprise: Derun Environment Company Limited

2014

*The unit: RMB*

Item	Attributable to the parent company shareholders' rights and interests of the shareholders											Non-controlling interest	Total equity	
	Paid-in capital	Other equity instruments			Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit			
		Preferred shares	Perpetual bonds	Others										
I. Balance at the end of prior year					5,049,890,406.27		-22,824,670.55					1,535,766,029.91	9,188,224,854.17	15,751,056,619.80
Add: cumulative changes of accounting policies														
Error correction of prior period														
Business combination under common control														
Others														
II. Balance at the beginning of current year					5,049,890,406.27		-22,824,670.55					1,535,766,029.91	9,188,224,854.17	15,751,056,619.80
III. Current period increase (or less: decrease)	10,000,000.00				6,708,600.00		23,550,203.70					156,271,650.51	193,111,656.99	389,642,111.20
(I) Total comprehensive income							23,550,203.70					630,632,905.04	1,078,331,679.72	1,732,514,788.46
(II) Capital contributed or withdrawn by owners	10,000,000.00				6,708,600.00								5,291,400.00	22,000,000.00
1. Capital contributed by owners	10,000,000.00				6,708,600.00								5,291,400.00	22,000,000.00
2. Capital contributed by holders of other equity instruments														
3. Amount of share-based payment included in equity														
4. Others														
(III) Profit distribution												-474,361,254.53	-890,511,422.73	-1,364,872,677.26
1. Appropriation of surplus reserve														
2. Appropriation of general risk reserve														
3. Appropriation of profit to owners												-474,336,000.00	-890,467,675.80	-1,364,803,675.80
4. Others												-25,254.53	-43,746.93	-69,001.46
(IV) Internal carry-over within equity														
1. Transfer of capital reserve to capital														
2. Transfer of surplus reserve to capital														
3. Surplus reserve to cover losses														
4. Others														
(V) Special reserve														
1. Appropriation of current period									31,450.00					31,450.00
2. Application of current period									31,450.00					31,450.00
(VI) Others														
IV. Balance at the end of current period	10,000,000.00				5,056,599,006.27		725,533.15					1,692,037,680.42	9,381,336,511.16	16,140,698,731.00

Legal representative:      Responsible person in charge of accounting:      Person in charge of accounting institution:

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

### STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Name of the enterprise: Derun Environment Company Limited

2013

*The unit: RMB*

Item	Attributable to the parent company shareholders' rights and interests of the shareholders											Non-controlling interest	Total equity
	Paid-in capital	Other equity instruments			Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit		
		Preferred shares	Perpetual bonds	Others									
I. Balance at the end of prior year					4,982,804,406.27		-29,921,084.28				1,243,321,454.38	8,703,661,014.82	14,899,865,791.19
Add: cumulative changes of accounting policies													
Error correction of prior period													
Business combination under common control													
Others													
II. Balance at the beginning of current year					4,982,804,406.27		-29,921,084.28				1,243,321,454.38	8,703,661,014.82	14,899,865,791.19
III. Current period increase (or less: decrease)					67,086,000.00		7,096,413.73				292,444,575.53	484,563,839.35	851,190,828.61
(I) Total comprehensive income							7,096,413.73				752,802,836.11	1,293,693,533.91	2,053,592,783.75
(II) Capital contributed or withdrawn by owners					67,086,000.00							32,914,000.00	100,000,000.00
1. Capital contributed by owners													
2. Capital contributed by holders of other equity instruments													
3. Amount of share-based payment included in equity													
4. Others					67,086,000.00							32,914,000.00	100,000,000.00
(III) Profit distribution											-460,358,260.58	-842,043,694.56	-1,302,401,955.14
1. Appropriation of surplus reserve													
2. Appropriation of general risk reserve													
3. Appropriation of profit to owners											-460,281,600.00	-841,910,900.00	-1,302,192,500.00
4. Others											-76,660.58	-132,794.56	-209,455.14
(IV) Internal carry-over within equity													
1. Transfer of capital reserve to capital													
2. Transfer of surplus reserve to capital													
3. Surplus reserve to cover losses													
4. Others													
(V) Special reserve													
1. Appropriation of current period													
2. Application of current period													
(VI) Others													
IV. Balance at the end of current period					5,049,890,406.27		-22,824,670.55				1,535,766,029.91	9,188,224,854.17	15,751,056,619.80

Legal representative:      Responsible person in charge of accounting:      Person in charge of accounting institution:

**CHONGQING DERUN ENVIRONMENT CO., LTD.  
FINANCIAL STATEMENTS****ANNUAL 2016 (JANUARY TO NOVEMBER), 2015, 2014 & 2013  
(UNLESS OTHERWISE STATED, MONETARY UNIT IS RMB YUAN.)****I. COMPANY PROFILE**

Chongqing DeRun Environment Company Limited (hereinafter referred to as “Target Company”) was established on 14 October 2014. The Target Company’s registered address is 3#20-1, NO.101, Cuibo Road, Chunhui Road Street, Dadukou District, Chongqing City, and its legal representative is Qu Bin. The Target Company has a unified Social Credit Code as 915001043203681707.

The Target Company’s business scope: renewable resources recovery and utilization; remediation management of environmental pollution; repairing management of polluted soil; development of environmental technology; application and advisory services; investment, development and management of waste disposal and incineration power generation projects; protection and management of water resources; environment monitoring; manufacture, research and development of special equipment and instruments to prevent environment pollution; investment business and its relative asset management and financial consultation.

Chongqing Water Asset Management Company Limited. (hereinafter referred to as Water Asset) invested and set up the Target Company in 2014. Its registered capital was RMB10,000,000.00 and paid-in capital was the same amount.

In 2015, according to *The Official Reply of Chongqing City State-owned Assets Supervision and Administration Commission about Approval of Gratuitous Equity Transfer of Chongqing San Feng Environment Industrial Group Co., Ltd. to Chongqing Derun Environment Co., Ltd.* (YGZ [2015] NO. 67), Water Asset injected 67.086% equity of Chongqing San Feng Environment Industrial Group Company Limited (hereinafter referred to as San Feng Environment) and 36.6% equity of Chongqing Water Group Company Limited (hereinafter referred to as Water Group) into the Target Company as capital increase.

According to the Investment Agreement about the Target Company among Water asset, Chongqing Suyu Industry Development Company Limited. (hereinafter referred to as Suyu Industry) and the Target Company, Suyu Industry injected 13.4375% equity of Water Group and cash RMB442,082,360.71 into the Target Company for capital increase. The above-mentioned items converted the Target Company’s registered capital to RMB94,275,014.96, which amount is equal to paid-in capital. On January 21, 2016, the Target Company held annual shareholders meeting for the first time in 2016. Shareholders made the decision that the capital reserves RMB905,724,985.04 should be converted to Paid-in capital. After that, the Paid-in capital of the Target Company is RMB1,000,000,000.00.

The parent company of the Target Company is Water asset.

### II. BASIS FOR FORMULATION OF FINANCIAL STATEMENT

The Target Group prepared financial information in accordance with the Accounting Standards for Business Enterprises promulgated by Ministry of Finance of the People's Republic of China and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

#### 1. Basis for formulation of financial statement

The Target Company was incorporated in October 2014. In 2015, Water Asset and Suyu Industry transferred 36.60% and 13.44% equity interest in Water Group to the Target Company, respectively; and Water Asset transferred 67.086% equity interest in San Feng Environment to the Target Company. As the Target Company is incorporated as an intermediate holding company of Water Asset, the Target Company, Water Group and San Feng Environment were under the common control of Water Asset throughout the Relevant Periods. Accordingly, for the purpose of this report, the Financial Information of the Target Group has been prepared based on special complied basis as if the Target Company has been incorporated and both Water Group and San Feng Environment are its subsidiaries since the beginning of the Relevant Periods.

#### 2. Formulation methods of financial statements

This consolidation is based on that the Target Company is the main body of the consolidation, Water Asset injected equity of San Feng Environment and Water Group is regarded as consolidation under common control. Suyu Industry injected equity of Water Group deemed to purchase minority equity, which is in accordance with accounting treatment requirements of the Accounting Standards for Business Enterprises-Enterprises-Business Combination.

- (1) In the financial statements, the assets and liabilities of Water Group and San Feng Environment should be recognized and measured legally according to their book value before the consolidation.
- (2) Financial statements assume that the Target Company has controlled San Feng Environment and Water Group on 1 January 2013.
- (3) In October 2015, according to *Investment Agreement on Chongqing Derun Environment Co., Ltd among Chongqing Water Asset Management Co., Ltd, Chongqing Suyu Industry Development Co., Ltd and Chongqing Derun Environment Co., Ltd*. Water Asset made capital increment for the Target Company with 36.60% shares of Chongqing Water, *Suyu Industry* made capital increment for the Target Company with 13.44% shares of Water Group and RMB442,082,360.71 Yuan, which made the registered capital of the Target Company increased RMB84,275,014.96 Yuan, and the Target Company holds 50.0375% shares of Water Group after that. The approval and registration procedure about the transfer of the equity was completed on 31 December, 2015. Therefore, when preparing for consolidated statement, it consolidates financial statements of Water Group in 2013 and 2014 as well as statements of profit or loss and other comprehensive income in 2015 with the proportion of 36.6%. It consolidated balance sheet of Water Group on 30 December 2015 and financial statements of Water Group from January to November in 2016 with the proportion of 50.0375%.

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## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

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- (4) In April 2015, according to *Official Reply by Chongqing State-owned Assets Supervision and Administration Commission about Agreement on Gratuitous Stock Equity Transfer of Chongqing San Feng Environment Industrial Co., Ltd. to Chongqing Derun Environment Co., Ltd.* (YUGUOZI[2015] NO.670), it agreed that 67.086% equity of San Feng Environment held by Water Asset was transferred to the Target Company free of charge as investment of state-owned capital. The shareholder's share transaction was completed in 2015. Therefore, when preparing for consolidated statement, it consolidated financial statement of Sanfeng Environment in 2013, 2014 and 2015 with the proportion of 67.086%. The shareholding proportion of the Target Company in Sanfeng Environment changed from 67.086% to 57.12% as San Feng Environment increased capital and shares in 2016. Therefore, when preparing for consolidated statement, it consolidated financial statement of January-November in 2016 in San Feng Environment with the proportion of 57.12%.

### III. STATEMENT OF COMPLIANCE

The financial statements are present truly and completely the financial position on 30 November 2016, 31 December 2015, 31 December 2014, and 31 December 2013 as well as the results of operations and cash flows of the Target Company in January-November, Year 2016, Year 2015, Year 2014 and Year 2013.

### IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

#### 1. Accounting period

The accounting periods of the Target Company are divided into annual periods and interim periods. Interim periods refer to reporting periods that are shorter than a full accounting year. The accounting year of the Target Company is from 1 January to 31 December of each calendar year.

#### 2. Operating cycle

A normal operating cycle starts from purchasing the assets used to produce, and ends when cash or equivalent is realized. It's the Target Company's practice to set an operating cycle as 12 months, which is also the standard classification criteria for status of liquidity of both assets and liabilities.

#### 3. Reporting currency

The Target Company and its subsidiaries recognise RMB as their reporting currency according to the primary economic environment in which they operate. The reporting currency of the Target Company and its subsidiaries is Renminbi ("RMB"). The Target Company prepares its financial statements in RMB.

#### 4. Accounting treatment of business combinations

Business combinations represent the consolidation of the transactions and events of two or more individual enterprises. Business combinations can be classified as business combination under common control and business combination not under common control.



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## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

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**(1) *The accounting treatment of business combinations under common control***

A business combination under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the combination, and on which the control is not transitory. For business combination under common control, the party obtains the control of the other parties at the combination date is the acquiring party, other parties involve in the business combination are the parties being acquired. The combination date is the date on which the acquiring party effectively obtains control of the party being acquired.

The assets and liabilities are obtained by the acquirer in a business combination shall be measured on the basis of their carrying value in the combined party on the combining date. The difference between the carrying value of the net assets obtained from the combination and the carrying amount of the consideration paid (or the total par value of the shares issued) for the combination is treated as an adjustment to capital reserve (share premium). If the capital reserve (share premium) is not sufficient to cover the difference, the rest shall be deducted from retained earnings.

Expenses that are directly attributable to business combination are expense in the profit and loss at the period incurred.

**(2) *The accounting treatment of business combinations not under common control***

A business combination not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the combination. In a business combination not under common control, the party which obtains the control of the other parties at the purchase date is the acquirer, and other parties involve in the business combination are the acquirees. The “acquisition date” refers to the date on which the acquirer actually obtains the control of the acquirees.

For business combinations not under common control, the combination cost is the fair value of consideration paid including cash and non-cash assets, liabilities undertaken, debts and equity securities issued for the controlling interest of the acquiree at the acquisition date. The direct cost, of the business combination including the expenses for audit, legal service, valuation and other administrative expenses, is recorded into the profit or loss in the current period. Transaction expenses of the issued equity securities or liability securities for the consideration are recorded into the amount of initial measurement of the equity securities or liability securities. The relevant contingent consideration is recorded into the combination costs at its fair value at the acquisition date, and the goodwill is adjusted if the new or additional evidences of adjustment to contingent considerations emerged within 12 months from the acquisition date. The cost of combination and identifiable net assets obtained by the acquirer in a business combination are measured at fair value at the acquisition date. If the cost of combination exceeds the fair value of the acquirer’s share in the identifiable net assets, the difference is recognized as goodwill; if the cost of combination is lower than the fair value of the acquirer’s share in the identifiable net assets, the difference is recognized in profit or loss for the current year after a review of computation.

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## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

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In relation to the deductible temporary difference acquired from the acquiree, which was not recognised as deferred tax assets due to non-fulfilment of the recognition criteria at the date of the acquisition, if new or further information that is obtained within 12 months after the acquisition date indicates that related conditions at the acquisition date already existed, and that the implementation of the economic benefits brought by the deductible temporary difference of the acquiree can be expected, the relevant deferred tax assets shall be recognised and goodwill shall be deducted. When the amount of goodwill is less than the deferred tax assets that shall be recognised, the difference shall be recognised in the profit or loss of the period. Except for the above circumstances, deferred tax assets in relation to business combination are recognised in the profit or loss of the period.

For combination of business not under common control achieved by several transactions, these several transactions will be judged whether they belong to “transactions in a basket” in accordance with the judgement standards on “transactions in a basket” as set out in the Notice of the Ministry of Finance on Issuing Accounting Standards for Business Enterprises Interpretation No. 5 (Cai Kuai [2012] No. 19) and Rule of 51 to “Accounting Standard for Business Enterprises No. 33 – Consolidated Financial Statements”(see Note IV. 5 (2)). If they belong to “transactions in a basket”, they are accounted for with reference to the descriptions as set out in the previous paragraphs of this section and Note IV. 13 “Long-term equity investments”, and if they do not belong to “transactions in a basket”, they are accounted for in separate financial statements and consolidated financial reports.

In separate financial statements, the initial equity investment cost is the aggregate of the carrying amount of the equity investment in the acquiree held prior to the acquisition date and the investment cost newly added as at the acquisition date. In respect of any other comprehensive income attributable to the equity interest in the acquiree prior to the acquisition date, other comprehensive income is accounted for on the same accounting method as direct disposal of relevant asset or liability by the acquiree at the time of disposal (i.e. to be transferred to investment income for the period, except for the changes arising from re-measuring net assets or net liabilities of defined benefit plan using the equity method attributable to the acquiree).

In consolidated financial statements, the equity interest in the acquiree held prior to the acquisition date is remeasured at fair value as at the acquisition date, and the difference between the fair value and the carrying amount is recognised as investment income for the current period. In respect of any other comprehensive income attributable to the equity interest in the acquiree held prior to the acquisition date, other comprehensive income is accounted for on the same accounting method as direct disposal of relevant asset or liability by the acquiree (i.e. to be transferred to investment income at the acquisition date, except for the changes arising from re-measuring net assets or net liabilities of defined benefit plan using the equity method attributable to the acquiree) is transferred to investment income in the period of the acquisition date.

**5. Methods for preparation of consolidated financial statements****(1) Recognition principle of consolidated scope**

The consolidated scope of consolidated financial statements is determined based on the concept of control. Control is the power the Target Company has over the investee, that the Target Company enjoys variable return on investment by taking part in the investee's operating activities, and is able to affect the amount of return by using such power. The scope of consolidation includes the Target Company and all of its subsidiaries. Subsidiaries are the entities controlled by the Target Company.

The Company will re-evaluate the definition once any relative element change due to facts or circumstances.

**(2) Preparation of consolidated financial statements**

Subsidiaries are consolidated from the date on which the Target Company obtains control of their net assets and operating policies and are deconsolidated from the date that such control ceases. For subsidiaries being disposed, the operating results and cash flows prior to the date of disposal are included in the consolidated income statement and consolidated cash flow statement; for subsidiaries disposed during the period, the opening balances of the consolidated balance sheet would not be restated. For subsidiaries acquired from a business combination not under common control, their operating results and cash flows subsequent to the acquisition date are included in the consolidated income statement and consolidated cash flow statement, and the opening balances and comparative figures of the consolidated balance sheet would not be restated. For subsidiaries acquired from a business combination under common control, their operating results and cash flows from the date of commencement of the accounting period in which the combination occurred to the date of combination are included in the consolidated income statement and consolidated cash flow statement, and the comparative figures of the consolidated balance sheet would be restated.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods are inconsistent between the Target Company and subsidiaries, the financial statements of subsidiaries shall be adjusted in accordance with the accounting policies and accounting period of the Target Company. For the subsidiaries acquired from the business combination not under common control, financial statements of the subsidiaries shall be adjusted based on the fair value of identifiable net assets on acquisition date.

All significant intra-group balances, transactions and unrealized profits shall be eliminated in the consolidated financial statements.

The portion of a subsidiary's equity and the net profits or losses that is not attributable to the Target Company, shall be recognized as "Minority Interests" and "profits and losses of Minority", and presented on the consolidated financial statements under the owners' equity and the net profit or loss respectively. The portion of subsidiary's net profit or loss for the period attributable to minority interest is presented in the consolidated income statement below the "net profits" as "Minority

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## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

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Interests”. Where the amount of the losses for the current period attributed to minority’s shareholders of the subsidiary exceeds the minority shareholders’ portion of the opening owners’ equity of the subsidiary, the excess is allocated against the minority interests.

For the loss of control over a subsidiary due to disposal of a portion of the equity investment or other reasons, the remaining equity is measured at fair value on the date when the control is lost. The difference arising from the sum of consideration received for disposal of equity interest and the fair value of remaining equity interest over the share of net assets of the former subsidiary calculated continuously since the purchase date based on the shareholding percentage before disposal are recognised as investment income in the period when the control is lost. Other comprehensive income related to equity investment in the subsidiary is accounted for on the same accounting method as direct disposal of relevant asset or liability by the acquiree at the time when the control is lost (i.e. to be transferred to investment income, except for the changes arising from re-measuring net assets or net liabilities of defined benefit plan of the subsidiary using the equity method). The remaining equity interests are measured subsequently according to “Accounting Standard for Business Enterprises No. 2 – Long-term Equity Investments” or “Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments”. See Note IV. 13 “Long-term equity investments” or Note IV. 9 “Financial instruments” for details.

When the Target Company disposes of equity investment in a subsidiary by a stage-up approach with several transactions until the control over the subsidiary is lost, it shall determine whether these several transactions related to the disposal of equity investment in a subsidiary until the control over the subsidiary is lost belong to “transactions in a basket”. Usually, these several transactions related to the disposal of equity investment in a subsidiary are accounted for as transactions in a basket when the terms, conditions and economic impacts of these several transactions meet the following one or more conditions: ① these transactions are entered into at the same time or after considering their impacts on each other; ② these transactions as a whole can reach complete business results; ③ the occurrence of a transaction depends on at least the occurrence of another transaction; ④ an individual transaction is not deemed as economic, but is deemed as economic when considered with other transactions. If they are not transactions in a basket, each of which are accounted for in accordance with applicable rules in “partial disposal of long-term equity investment of a subsidiary without losing control over a subsidiary” (see Note IV.13(2)④ ) separately, and “the control over a subsidiary is lost due to partial disposal of equity investment or other reasons” (see the preceding paragraph). When several transactions related to the disposal of equity investment in a subsidiary until the control over the subsidiary is lost belong to transactions in a basket, each of which is accounted for as disposal of a subsidiary with a transaction until the control over a subsidiary is lost; however, the difference between the amount of disposal prior to the loss of control and the net assets of a subsidiary attributable to the disposal investment shall be recognised as other comprehensive income in consolidated financial statements and transferred to profit or loss at the time when the control is lost.

**6. The classification of the joint venture arrangement and accounting treatment of joint operation**

The joint venture arrangement refers to the arrangement jointly controlled by two or more parties. According to the differences in the rights and responsibilities, the joint venture arrangement is classified as a joint operation and joint venture. A joint operation refers to a joint arrangement whereby the parties have the rights to the assets, and obligations for the liabilities, and Joint venture refers to the entity which is only entitled to the joint venture arrangement of the net assets.

The equity method is adopted for the investment of the joint venture, please refers to Note IV.13(2)② “Long-term equity investments accounted by equity method”.

The Target Company as a joint operator recognizes in relation to its interest in a joint operation: (1) Its assets, including its share of any assets held jointly; (2) its liabilities, including its share of any liabilities incurred jointly; (3) its revenue from the sale of its share of the output arising from the joint operation; (4) its expenses, including its share of any expenses incurred jointly.

When the Target Company transacts with a joint operation in which the Target Company is a joint operator, such as a sale or contribution assets, (the assets do not constitute as business, similarly hereinafter). The profit or loss resulting from the transactions is recognized only to the extent of the other parties’ interests in the joint operation. When the Target Company transacts with a joint operation in which the Target Company is a joint operator, such as a purchase of assets, the Target Company does not recognize its share of the profit or loss until it resells those assets to a third party. A loss shall be recognized in the full amount of the sale or contribution of assets, and of the purchase of the assets from the joint operation in accordance with “ASBE – No. 8 – assets impairment” and other provisions.

**7. Recognition standard for cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and highly liquid short-term (usually mature with three months since acquisition) investments that are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value.

**8. Foreign currency transactions and the translation of foreign currency financial statement*****(1) Foreign currency transactions***

At the time of initial recognition of a foreign currency transaction, the foreign currency is translated to RMB at the spot exchange rate at the transaction date (Generally, a spot exchange rate is the middle rate quoted by the People’s Bank of China on the day of transaction). Transaction in foreign currency exchange or transaction involving foreign currency exchange shall be translated into RMB at the actual exchange rate.

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## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

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### (2) *Translation of foreign monetary items and foreign non-monetary items*

On the balance sheet date, monetary items denominated in foreign currency are translated into RMB at the spot exchange rate on the balance sheet date and the exchange differences arising from these translations are recognised in profit or loss for the current year, except: ① Difference arising from foreign currency borrowings for the purchase and construction or production of qualified assets shall be capitalized according to the Accounting Standards for Business Enterprises No. 17 – Borrowing Costs; ② exchange difference arising from changes in carrying amount of available for sale foreign-currency monetary items other than changes in amortized cost, which is recognized in other comprehensive income.

Foreign currency non-monetary items measured at the historical cost shall still be translated at the spot exchange rate at the transaction date, of which the amount of functional currency shall not be changed. The foreign currency non-monetary items measured at the fair value shall be translated at the spot exchange rate at the date of fair value evaluation, and the translation difference, treated as the variation of fair value (including the variation of exchange rate), shall be recorded into the profit or loss at the current period and recognized as other comprehensive income.

### (3) *Basis for translation of foreign currency financial statements*

Exchange differences arising from change in exchange rate where the preparation of consolidated financial statements relates to foreign operations and foreign currency monetary items materially constitute net investment in foreign operations shall be recorded into “other comprehensive income” under “translation reserve”; disposal of foreign operations shall be included into profits and losses on disposal in the current period.

The financial statements denominated in foreign currency of a foreign operation are translated to RMB in compliance with the following requirements: assets and liabilities on the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; owner’s equity items except for “retained profit” are translated at the spot exchange rates at the dates on which such items arose; income and expenses items in the income statement are translated at the spot exchange rate at the date of transaction. The retained profit brought forward are reported at the prior year’s closing balance; the retained profit as at the end of the year are presented after translated the profit appropriation items; differences between the aggregate of asset and liability items and owners’ equity items are recognised as “translation differences arising on the translation of financial statements denominated in foreign currencies” in other comprehensive income. On disposal of foreign operations and loss of control, exchange differences arising from the translation of financial statements denominated in foreign currencies related to the disposed foreign operations which has been included in owners’ equity in the balance sheet, shall be transferred to profit or loss in whole or in proportionate share in the period in which the disposal took place.

Cash flow dominated in foreign currency or from foreign subsidiaries shall be translated at the spot exchange rate when it incurs. Effects arising from changes of exchange rate of cash shall be presented separately in the cash flow statements.

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## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

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The opening balance and the prior year's figures are presented according to the translated amounts of the prior year.

On disposal of the entire owners' equity in a foreign operation of the Target Company, or upon a loss of control over a foreign operation due to disposal of certain equity investment or other reasons, the Target Company transfers the exchange differences arising on translation of financial statements of this foreign operation attributable to owners' equity of parent company presented under owners' equity in the balance sheet, to profit or loss in the period in which the disposal took place.

In case of partial disposal of equity investment or other reason that result in reduction in shareholding in a foreign operation without losing control over it, the proportionate share of exchange differences arising from the translation of financial statements will be attributable to minority interests and will not recognised in profit or loss. For partial disposals of equity interests in foreign operations which are associates or joint ventures, the proportionate share of the exchange differences arising from the translation of financial statements of foreign operations is reclassified to profit or loss.

### 9. Financial instruments

Financial assets and liabilities are recognized when the Target Company becomes one party in the financial instrument contract. The financial asset or liability is measured by fair value when it's initially recognized. For financial assets at fair value through profit or loss, the transaction expenses thereof shall be directly recorded in the profit or loss for the current period; for other financial assets and liabilities, the transaction expenses thereof shall be included into the initially recognized amount.

#### (1) *Fair value measurement of the financial assets and financial liabilities*

The fair value refers to the amount, at which assets could be sold or liabilities could be transferred between parties in a well-organized trade on the measured date. If there is a dynamic market for a financial asset or financial liability, the quoted price in the dynamic market shall be taken as the fair value of the financial asset or financial liability. The quoted prices in the dynamic market refer to the prices, which are easily obtained from the stock exchanges, brokers, industry associations, pricing service institutions and etc., and the prices represent the actual dealing prices under fair conditions. If no dynamic market exists for a financial instrument, a valuation technique is adopted to establish the fair value. The Target Company chooses valuation technique to determine the fair value of its financial assets and financial liabilities, which include adopting the latest arm's length market transaction price between knowledgeable and willing parties, and the current fair value of other instruments that are substantially equivalent, and discounted cash flows method and option pricing model and etc.

#### (2) *Classification, recognition and measurement of financial assets*

Conventionally traded financial assets shall be recognized and de-recognized on the trade date. Financial assets shall be classified into four categories at initial recognition: financial assets at fair value through profit or loss, held to maturity investment, loans, receivables, and available-for-sale financial assets.

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## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

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① *Financial assets at fair value through profit or loss*

Including financial assets held for trading and those designated financial assets at fair value through profit or loss.

Financial assets meeting any of the following requirements shall be classified as financial assets held for trading:

- A. The purpose of acquiring the financial assets is principally for selling them in the near future;
- B. Forming a part of the identifiable combination of financial instruments which are managed in a centralized way and for which there are objective evidences demonstrate that the enterprise may manage the combination to make a profit in the short term;
- C. Derivatives, except for the derivative designated as effective hedging instrument, or financial guarantee contracts or derivatives connected to equity instrument and must be settled by issuing equity instrument for which there is no quoted price in the dynamic market, and its fair value cannot be reliably measured.

The financial assets meeting any of the following requirements shall be designedly measured at fair value through profit or loss:

- A. The designation shall eliminate or significantly reduce the mismatch in the recognition or measurement of relevant profit or loss arising from the different basis of measurement of the financial assets or financial liabilities;
- B. The official written documents on risk management or investment strategy of the Target Company show that the combination of said financial assets or said financial assets and financial liabilities will be managed and evaluated on the basis of fair value and be reported to the key management staff.

Financial assets at fair values through profit or loss shall be subsequently measured at their fair values, with the profit or loss from the movements of fair value and related dividends and interest income recorded into the current profit or loss.

② *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable recoverable amount, and the Target Company's intention of which is hold those investments to maturity.

Held-to-maturity investments shall be subsequently measured at amortized costs by adopting the effective interest rate method, the profit or loss arising from de-recognition, and impairment or amortization shall be incorporated into the current profit or loss.



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## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

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The effective interest rate method refers to the method to calculate the amortized costs and the interest incomes or interest expenses at the end of each period with an effective interest rate of financial assets or financial liabilities (including a set of financial assets or financial liabilities). The effective interest rate refers to the interest rate adopted in discounting the future cash flow generated by a financial asset or financial liability within the predicted term of existence or a shorter designed term into the current carrying value of the financial asset or financial liability.

To determine the effective interest rate, the future cash flows shall be predicted in consideration of all the contractual provisions regarding the financial asset or financial liability (other than future credit losses), and the various fee charged, trading expenses paid or received by the parties of a financial asset or financial liability contract, and premiums or discounts, which form a part of the effective interest rate.

### ③ *Loans and receivables*

Loans and receivables refer to the non-derivative financial assets with fixed or determinable payment that is not quoted in the dynamic market. The Target Company's financial assets are classified into loans and receivables including notes receivable, account receivables, interest receivable, dividends receivable and other receivables etc.

Loans and receivables shall be subsequently measured at amortized costs by effective interest rate method. The profit or loss arising from de-recognition, impairment or amortization shall be incorporated in the current profit or loss.

### ④ *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets which are designated at initial recognition, and those financial assets other than financial asset held for trading, loans, receivables and held to maturity investment.

The closing cost of the available-for-sale financial instrument is measured by amortized cost method, which is the amount deducted to the principle payment, added to or deducted to the accumulated amortization between the initially recognized date and the maturity date by effective interest method, and deducted to the impairment loss. Closing cost of the available-for-sale equity instrumental investment is the initial cost.

Available-for-sale financial assets shall be subsequently measured at fair value. The profit or loss arising from the changes in the fair value is recognized in other comprehensive income, and transferred in profit or loss when those financial assets are derecognized. Except that the impairment losses and the foreign exchange gain or loss arising from amortized cost of foreign monetary financial assets, which shall be recognized in profit or loss. However, the cost shall be subsequently measured if there is no quoted price of the equity instrument investment in dynamic market, and its fair value cannot be reliably measured, or the derivative financial assets which have to be settled by delivery related to the equity instrument.

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The interests and cash dividends declared by investees shall be recognized into the profit or loss as investment income.

### (3) *Impairment of financial assets*

The Target Company shall assess the carrying value of financial assets on the balance sheet date other than those measured at fair value through profit or loss. Impairment should be made while there is any objective evidence demonstrates that a financial asset is impaired.

Impairment test shall be made to the financial assets with significant single amounts. For financial assets with insignificant single amounts, impairment test could be made independently or collectively in a combination with those possessing analogous credit features. Financial assets (including significant single amount and insignificant single amount) with no impairment loss upon independent impairment test shall be combined with those possessing analogous credit features, and collectively made impairment test again. Financial assets with impairment loss made by independent impairment test shall not be incorporated in any combination of financial assets possessing analogous risk features for an impairment test.

#### ① *Impairment of held-to-maturity investments, loans and receivables*

The impairment loss, of financial asset measured purchasing cost or amortized cost, is the excess of its carrying value over the present value of the estimated future cash flows, and shall be recorded into the profit or loss for the current period. For impaired financial assets, if there is any objective evidence demonstrates that the value of the said financial asset has been restored, and it is objectively related to subsequent events, the impairment losses originally recognized shall be reversed and recorded into the profit and loss for the current period. However, reversed carrying value shall not exceed the amortized cost of the said financial asset on the assumption that the impairment was not made.

#### ② *Impairment of available-for-sale financial assets*

There is an indication that impairment loss of available-for-sale financial asset occurs while fair value of the available-for-sale equity instrument fall significantly and non-temporarily.

Where such financial asset impaired, the accumulated losses, arisen from the decrease of the fair value and previously recorded into the capital surplus, shall be transferred to the profit and loss for the current period. The amount transferred out are the balance of initial acquisition costs of the said financial asset after deducting the principals withdrawn and amortization, and the current fair value and the impairment loss previously recorded into the profit and loss.

Impairment loss previously recognized shall be reversed, if there is any objective evidence demonstrates that the shrinkage of fair value has been restored, and was objectively related to subsequent events. Reversed impairment loss of available-for-sale equity instrument shall be recognized as comprehensive income while debt instrument as profit or loss for the current year.

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The impairment loss, of equity instrument without the quoted price in the dynamic market and cannot be reliably measured, or derivatives derived from the said equity instrument and settled by issuing the said equity instrument, shall not be reversed.

### **(4) Recognition and measurement for transfer of financial assets**

A financial asset is derecognized when any of the below criteria is satisfied: ① the contractual rights to receive the cash flows from the financial asset are terminated; ② the financial asset has been transferred and the Target Company transfers substantially all the risks and rewards of ownership of the financial asset to the transfer; ③ the financial asset has been transferred and the Target Company has given up upon the control of the financial asset, although the Target Company neither transfers nor retains substantially all of the risks and rewards of ownership of a financial asset.

Where the Target Company does not transfer or retain nearly all of the risks and rewards related to the ownership of a financial asset, nor give up its control over it, it shall, to the extent of its continuous involvement in the transferred financial asset, recognize the related financial asset and the relevant liability accordingly. The extent of continuous involvement in the transferred financial asset refers to the risk level that the Target Company faces resulting from the changes in the value of the financial asset.

If the transfer of an entire financial asset meets the conditions for de-recognition, the difference between the carrying value of the transferred financial asset and the sum of consideration received and the accumulated variation in fair value previously recorded into the other comprehensive income, shall be recorded into current profit or loss.

If the partial transfer of a financial asset satisfies the conditions for de-recognition, the entire carrying value of the transferred financial asset shall be apportioned to the derecognized part and the retained part by fair value, and the difference between the carrying value of the transferred financial asset and the sum of consideration received and the accumulated variation in fair value previously recorded into other comprehensive income, shall be recorded into current profit and loss.

The Target Company shall be ensured that almost all the risk and rewards related to ownership has been transferred when adopting recourse sales of the financial assets or to endorse the financial assets. The financial assets shall be derecognized when almost all the risk and rewards has been transferred to the transferee. It shall not be derecognized the financial assets if it retains almost all the risk and rewards. It should continue to determine whether the Target Company retains the control of the assets and using the accounting method described in the preceding paragraph if it neither transfer nor retain almost all the risk and rewards.

### **(5) Classification and measurement of financial liabilities**

Financial liability is classified into the financial liability measured at fair value through profit or loss and other financial liability for initial recognition. The financial liability is initially measured at fair value. For financial liability measured at fair values through profit or loss, transaction expenses thereof are directly recorded into profit and loss for the current period. For other financial liabilities, the transaction expense thereof is integrated with the initially recognized amount.

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① *Financial liability measured at their fair value through profit or loss*

Classification condition of financial liability held for trading and designated a financial liability at their fair values through profit or loss is the same as that of financial asset held for trading and designated financial asset at fair values through profit or loss.

Financial liability at fair value through profit or loss is subsequently measured at fair value. The variation in the fair value and the interest or cash dividend received in the period is recorded into the profit and loss for the current period.

② *Other financial liability*

Financial liability, derived from equity instrument without the quoted price in a dynamic market, and its fair value could not be reliably measured, and settled by issuing equity instrument, is subsequently measured at cost. Other financial liabilities are subsequently measured at amortized cost with effective rate. The profit or losses resulting from de-recognition or amortization shall be recorded into the profit and loss for the current period.

③ *Financial guarantee contract*

Use fair value to initially confirm financial guarantee contract of financial liability not belong to assigned as Fair Value Measurements whose changes will be accounted into current profits and losses. After that, subsequent measurements are carried out according to the higher amount of difference, namely, sum certain in money of Accounting Standard for business enterprises NO. 13-Contingency deduct and initially recognized amount deducts accumulated amortization confirmed based on principles of Accounting Standard for business enterprises NO. 14-Revenue.

**(6) *De-recognition of financial liabilities***

While prevailing obligations of financial liability is relieved entirely or partially, the financial liability shall be derecognized accordingly. If a substantially different agreement was signed to replace the existing one from which the existing financial liability originated, the existing financial liability shall be derecognized and the financial liability arising from the newly signed agreement shall be recognized.

While a financial liability is entirely or partially derecognized, the difference between the carrying value derecognized and the considerations paid (including the non-monetary assets transferred out and the new financial liabilities engaged in) shall be recorded in the profit or loss for the current period.

**(7) *Derivative financial instruments***

Derivative financial instruments are recognised initially at fair value on contract signature date. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives designated as a hedging instrument which is highly efficient, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

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### **(8) *Offset of financial assets and financial liabilities***

If the Target Company owns the legitimate rights of offsetting the recognised financial assets and financial liabilities, which are enforceable currently, and the Target Company plans to realise the financial assets or to clear off the financial liabilities on a net amount basis or simultaneously, the financial assets and financial liabilities shall be reported in the balance sheet upon offsetting. Otherwise, financial assets and financial liabilities are presented separately in the balance sheet without offsetting.

### **(9) *Equity instruments***

Equity instruments are any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The issuance (including refinancing), repurchase, sale or cancellation of equity instruments by the Target Company is accounted for movement in equity. The Target Company does not recognise the movement in fair value of equity instruments. Transaction costs related to equity transactions are deducted from equity.

Various distributions (excluding dividends) made by the Target Company to holders of equity instruments reduces owners' equity. The Target Company does not recognize the movement in fair value of equity instruments.

## **10. Receivable**

Receivable includes accounts receivable and other receivables etc.

### **(1) *Basis for recognition and measurement of bad debt provision***

The Target Company carries out an overall inspection on the carrying amount of receivable on the balance sheet date. Where there arises any of the following objective evidences indicating that receivable have been impaired, an impairment provision will be made: ① A serious financial difficulty occurs to the debtor; ② the debtor breaches any of the contractual stipulations (such as he fails to pay or delays the payment of interests or the principal); ③ the debtor will probably go bankrupt or carry out other financial reorganisations; ④ other objective evidences show that the receivable are impaired.

### **(2) *Method for making bad debt provision***

#### **① *Recognition standard and method for making bad debt provision individually for individually significant receivable***

The Target Company defines a receivable equivalent to or above RMB10 million as individually significant receivable.

For receivable that is individually significant, the Target Company assesses such receivable individually for impairment. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the financial asset is included in a group of financial assets with

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similar credit risk characteristics and collectively assessed for impairment. Receivable for which an impairment loss is individually recognised are not included in a group of receivable with similar credit risk characteristics and collectively assessed for impairment.

② *Determination and method for making bad debt provision for receivable provided for bad debt by credit risk portfolio*

A. Basis for determining the credit risk portfolio

The Target Company classifies its individually insignificant receivable and individually significant but not impaired receivable in accordance with their credit risk characteristics and relevance of financial assets. These credit risks usually reflect the ability of debtor in repaying all debts due based on the contracted terms of relevant assets, and are related to the forecast on future cash flows of asset under assessment.

Portfolios are determined according to the following basis:

<b>Item</b>	<b>Basis for determining the portfolio</b>
Aging combination	Receivables whose sum of the individual amount is not significant and the amount is significant but no impairment in the single test
Combination of related parties	Contacts of related parties, internal staff loans, contacts of government departments
Combination of quality guarantee deposit	Engineering deposit, performance deposit

B. Method for making bad debt provision according to credit risk characteristics

When an impairment test is performed by means of a group, bad debt provision will be assessed and ascertained according to the structure of the group of receivable and similar credit risk characteristics (debtors' ability to settle outstanding amounts based on contracted terms), taking into account historical experience of losses, prevailing economic condition and losses that are expected to incur in the group of receivable.

Method for making bad debt provision for different portfolio:

<b>Item</b>	<b>Method for making provision</b>
Single item combinations	Aging of accounts
Related Party combinations	Non-provision for bad debts
Quality guarantee deposit combinations	Percentage of the balance method

a. Use of ageing analysis for making bad debt provision in the portfolio:

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(1) Water supply and drainage enterprise, and waste incineration and power generation enterprise

Aging of accounts	Provision for receivables ratio (%)	Other provision for receivables ratio (%)
Within 1 years (including 1 years, similarly hereinafter)	5	5
1-2 years	10	10
2-3 years	50	50
Over 3 years	90-100	90-100

(2) Construction Enterprises

Aging of accounts	Provision for receivables ratio (%)	Other provision for receivables ratio (%)
1-2 years	5	5
2-3 years	10	10
2-3 years	20	20
Over 3 years	50-100	50-100

b. Combination uses combination methods of calculation of provision for bad debts in aging of accounts

Combination name	Provision for receivables ratio (%)	Other provision for receivables ratio (%)
Quality guarantee deposit combinations	0.3	0.3

③ *Receivable individually insignificant but provided for bad debt separately*

The basis for separate provision	Not expect to recover of long aging
The provision for bad debts	Specific Identification Method

(3) **Reversal of bad debt provisions**

If objective evidence demonstrates that the value of receivables is recovered owing to subsequent events, impairment loss previously recognized shall be reversed and recorded into current profit and loss. The carrying value after reversal shall not exceed the amortized cost on the assumption that no impairment loss was made previously.

**11. Inventories****(1) Category**

The inventories of the Target Company comprise raw materials, revolving materials, commodity stocks, goods in process, engineering construction and development costs etc.

**(2) Pricing of inventories**

Inventories are recorded at actual costs on acquisition, which consists of purchase price, processing cost and other costs. The raw material is valued in accordance with the method of weighted mean. The revolving material is valued in accordance with the one-off amortization method. In engineering construction, the actual cost and gross profit of the contract should be accounted while in engineering settlement, the accumulated expenses should be accounted with clients in accordance with the construction contract; The balance of engineering construction and that of engineering settlement should be hedged when the project is completed.

**(3) Measurement of net realizable value of inventory and measurement of provision for impairment of inventories**

The net realizable value refers to the selling price deducted by the estimated cost before completion, estimated selling expense and relevant taxes in the daily operations. The assessment on the net realizable value of inventories shall be made based on concrete evidence obtained, the purpose of holding inventories and the effect of subsequent events.

On the balance sheet date, the inventory is measured at the lower of cost and net realizable value and a provision for impairment shall be made while the cost of inventories is higher than the net realizable value. Provision for impairment of inventory shall be incurred independently except that impairment of spare parts according to the actual situation and the estimation of the management.

If factors once result in impairment disappeared and the net realizable value exceeds the carrying value, the write-down shall be reversed from the provision to the extent of provision previously made and recorded into profit and loss for the current year.

**(4) Physical inventory at fixed periods is taken under perpetual inventory system.****12. Classified as held-for-Sale Assets**

If a non-current asset at present is only based on usual items of such assets which can be sold immediately and the Target Company has made decisions on the disposal of non-current assets and signed with the acquiring party the irrevocable transfer agreement within one year to complete, such non-current assets held-for-sale shall be measured from the held-for-sale date excluding depreciation and amortization in accordance with lower net value after sum of the carrying amount and fair value deducting disposal expenses. Held-for-sale assets include single assets and disposal groups. If a disposal group are an asset group defined by Accounting Standards for Enterprises NO. 8 –



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Impairment of Assets group of assets and goodwill allocates to the group of assets as stipulated or the disposal group is part of business in the group of assets, such disposal group includes goodwill formed in the process of enterprise merger.

Non-current assets and assets of disposal groups classified as held-for-sale assets shall be separately listed in the current liabilities of the balance sheets. Liabilities related to transfer of assets which are classified as held-for-sale assets of disposal groups shall be separately listed in current liabilities of balance sheets.

If an asset or a disposal group is classified as held-for-sale but later the criteria for that classification are not met, the Target Company shall stop such classification and measure in accordance with the amounts of the following two items whichever is lower: (1) The carrying amount of such asset or such disposal group before classification as held-for-sale shall be in accordance with the amounts adjusted by confirmed depreciation, amortization and Impairment in the case of not classification as held-for-sale; (2) recoverable amounts from the date of no sale.

### 13. Long-term equity investment

Long-term equity investment refers to those with which the Target Company exercise single or joint control over the invested entity, or has significant influence on its operation. Otherwise it shall be measured as available-for-sale financial assets, please refer to Note IV. 9 “Financial instruments”.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Significant influence refers to the right that the Target Company can participate in the decision-making of the financial and operating policies over the invested Target Company, but is not able to control or jointly control the policy formulation.

#### (1) *Determination of investment cost*

For long-term equity investment formed by business combination under common control, the initial cost shall, on the date of acquisition of the final controller, be measured by the share of carrying value of the owner’s equity of the acquired entity. The difference between the investment cost, and cash payment and transferred non-cash assets or liabilities on fair value shall be adjusted against the capital reserve; If the capital reserve is not sufficient to cover the difference, the rest shall be deducted from retained earnings. For the insurance of the equity securities which is seen as consideration cost, the share of the carrying value is recognized as initial investment cost in the consolidated financial statement of the ultimate controlling party’s owner’s equity. The capital stock is the aggregate nominal amount of the outstanding ordinary shares. The difference between the initial investment cost and the aggregate nominal amount of the long-term equity investment, shall be adjusted against the capital reserve; If the capital reserve is not sufficient to cover the difference, the rest shall be deducted from retained earnings.

For the long-term equity investment obtained by business combination not under common control, on the date of combination, the initial cost shall be the sum of the fair value of assets transferred, the liabilities incurred or assumed and the equity securities issued by the acquirer in exchange for the

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control over the acquiree. The direct cost for the business combination incurred by the acquirer, including the expenses for audit, valuation, legal services and other administrative expenses, shall be recorded into the profit or loss for the current period.

For long-term equity investment other than those formed by business combination, the initial cost of other long-term equity investment shall be measured at the amount of actual cash paid, the fair value of the equity securities issued, the conventional value stipulated in the investment contract or agreement, the fair value or carrying value of the assets surrendered in the non-monetary assets exchange transaction, the fair value of the long-term equity investment itself, and etc. The initial cost consists of the expenses directly related to the acquisition of the long-term equity investment, taxes and other necessary expenses.

(2) *Subsequent measurement and recognition method of gains and losses*

For the Long-term equity investments with joint control or significant influence over invested entities shall be accounted by equity method (except the co-operator). Besides, a long-term equity investment is measured in cost method if the Target Company is able to control the invested entity.

① *Long-term equity investments accounted by cost method*

Long-term equity investment stated by applying the cost method shall be measured at initial investment cost. Except those included in the consideration, dividends or profits declared enjoyed by the investor shall be recognized as the current investment income.

② *Long-term equity investments accounted by equity method*

In the equity method, if the initial cost of a long-term equity investment exceeds the proportion of the fair value of the invested entity's identifiable net assets attributable to the investor, initial cost of the long-term equity investment shall not be adjusted, and if the initial cost of a long-term equity investment lower than the proportion of the fair value of the invested entity's identifiable net assets attributable to the investor, the difference shall be recorded into profit or loss for the current year, and the cost of the long-term equity investment shall be adjusted simultaneously.

In the equity method, the investment income and other comprehensive income are recognized in accordance with the proportion of the net profit or loss and other comprehensive income of the invested entity attributable to the investor, and adjusting the carrying value of long-term equity investment; It shall be decreased of the carrying value of long-term equity investment according to the portion of the declaration of dividend or cash dividends; It shall adjust the carrying value of long-term equity investment and recognize in capital reserve if there is any other changes besides net profit or loss, other comprehensive income and profit distribution of the owner's equity. The invested entity's profit or loss shall be adjusted on the basis of the fair value of all identifiable assets of the invested entity at the acquisition date and adjusted to comply with the accounting policies and accounting periods adopted by the investor. All inter-Group unrealized profits from the jointly ventures and associates attributable to the Target Company shall be eliminated to recognize the investment income. If there are differences in the accounting policies and accounting period between the Target Company and the invested Target Company, the financial statements shall be adjusted

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according to the Target Company, and the investment income and other comprehensive income shall be recognized. However, if the unrealized inter-Group loss constitutes impairment of the transferred assets, the losses shall not be adjusted. The investor shall recognize the net losses of the invested entity to the extent that the carrying value of the long-term equity investment and other long-term rights and interests which substantially exist in the net investment to the invested entity is reduced to zero. Furthermore, if the investor has the obligation to reimburse extra losses, the extra obligation shall be recognized as provision and be recognized in investment loss. If the invested entity realizes any net profits in the subsequent periods, the investor shall not recognize its attributable share of profits unless the unrecognized attributable share of loss has been restored.

### ③ *Acquisition of minority interests*

While preparing consolidated financial statements, the difference, between the increase in the cost of long-term equity investments as a result of acquisition of minority interests and the share of net assets of the subsidiary calculated continuously from the date of the acquisition or merger based on the new shareholding proportion, shall be offset by capital surplus. If the capital surplus is not sufficient to compensate for the difference, the rest shall be offset by retained earnings.

### ④ *Disposal of long-term equity investments*

In consolidated financial statements, when the parent company disposes part of the investment in subsidiary without losing control power, the difference between the consideration received and the carrying value of net asset disposed shall be recognized in equity, while losing control power of subsidiary due to disposal, the relevant terms in Note IV 5 (2) shall be applicable.

Under other means of disposal of long-term equity investment, the difference between the carrying value of disposed investment and the consideration received shall be recognized in the current profit or loss.

If the equity method is still adopted after the disposal of the rest equity, it shall adopt the same accounting policies to other comprehensive income of the equity by proportion, as the invested company disposing the related assets and liabilities. For the other changes of the owner's equity except for the net income or losses, other comprehensive income and profit distribution, originally recognized in the equity shall be transferred into profit or loss by the percentage disposed.

If the cost method still be adopted of remain equity when using cost method of long-term equity investment, the other comprehensive income measured in equity method, or financial instrument recognition and measurement, and when invested company disposing directly the related assets or liabilities; The changes other than net profit or losses, other comprehensive income and profit distribution in net assets, shall be transferred in current profits and losses by percentage.

## 14. **Investment property**

Investment property refers to real estate held to earn rentals or for capital appreciation, or both. Investment property is initially measured at cost. Subsequent expenditures related to an investment property shall be included in cost of investment property only when the economic benefits associated

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with the asset will likely flow to the company and its cost can be measured reliably. All other expenditures on investment property shall be included in profit or loss for the current period when incurred.

The Target Company adopts cost method for subsequent measurement of investment property, which is depreciated using the same policy as that for buildings.

If an investment property is disposed of or if it withdraws permanently from use and no economic benefit will be obtained from the disposal, the recognition of it as an investment property shall be terminated. When an investment property is sold, transferred, retired or damaged, the amount of proceeds on disposal of the property net of the carrying amount and related tax and surcharges is recognised in profit or loss for the current period.

### 15. Fixed assets

#### (1) Recognition

Fixed assets plant and equipment refer to the tangible assets held by the Target Company for producing goods, rendering service, renting or operation and administration purpose with useful lives over 1 year. The fixed assets are recognized only when the economic interests are likely to flow into the Target Company and its cost can be measured reliably. The fixed assets are initially measured only when considering the influence of the cost and the expected impact of the disposal expenses.

#### (2) Depreciation method of fixed assets

Fixed assets are initially recorded at cost and the estimated asset retirement obligation shall be taken into consideration. From the next month since fixed assets are in state of expected conditions for use, fixed assets are depreciated using the straight-line method over their estimated useful life. The useful life, scrap value rates for each category of fixed assets are as follows:

Category	Depreciation method	Useful lives	Residual rate (%)	Annual depreciation rate (%)
Plants and buildings	Straight-line method	8-35	3	12.13-2.77
Pipe network	Straight-line method	15-20	3	6.47-4.85
Machinery equipment	Straight-line method	5-18	3	19.40-5.39
Means of transport	Straight-line method	6-8	3	16.17-12.13
Office Equipment	Straight-line method	5	3	19.40
Electronic equipment	Straight-line method	5-18	3	19.40-5.39
Others	Straight-line method	10	3	9.70

Estimate residual value refers to the expected disposal proceeds after compensated estimated disposal expenses while the asset is worn out or retired.

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(3) *Method for impairment test and recognition of impairment provision*

Method of impairment test and measurement of impairment provision of fixed assets, please refer to Note 4(20) "Impairment of non-current assets".

(4) *The recognition criteria and measurement of fixed asset by financial lease*

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset which the ownership may or may not be eventually transferred, are classified as financial leases. Leased asset shall be recognized and depreciated in the same way according to comparative asset owned by the lessee. Leased asset shall be fully depreciated over its useful life if it is reasonably certain that the lessee will obtain ownership of the leased asset while the lease term expires, if not, depreciated over the shorter of the lease term and its useful life.

(5) *Other explanations*

Subsequent expenditure relating to a fixed asset shall be capitalized if the economic benefits related to the fixed asset are likely to flow into the Target Company and the cost could be measured reliably and the carrying value of replaced parts shall be derecognized. Subsequent expenditures excluding fore-mentioned shall be recorded into current profit and loss.

The proceeds, from fixed asset disposed, transferred, discarded or destroyed, shall be recorded into current profit and loss after deducting carrying value and relevant taxes.

Significant changes of useful life or residual value or depreciation method of fixed asset shall be considered as changes in accounting estimation.

**16. Construction in progress**

The cost of construction in progress shall be measured according to the actual expenditure for the construction in progress, including the expenditure for the construction project incurred during the construction period, and capitalized borrowing costs before the project is ready for its intended use and other related costs. Construction in progress is transferred to fixed asset while it is ready for its intended use.

Method of impairment test and measurement of the provision of construction in progress, refer to Note. IV 20 "Impairment of non-current assets".

**17. Borrowing costs**

Borrowing costs include interest on borrowings, amortization of discounts or premiums on borrowings, ancillary expenses, and exchange gain or loss on foreign currency borrowings. The borrowing costs, directly attributable to the acquisition, construction or production of assets eligible for capitalization, shall be capitalized while the capital expenditure and borrowing cost has already occurred and the acquisition, construction or production activities necessary to satisfy intended use or get ready for sale have already started. Capitalization of borrowing costs shall be ceased while the

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qualified for capitalization asset under acquisition and construction or production is ready for its intended use or sale, and other borrowing costs shall be recognized into the current profit and loss while occurred.

The interests of special borrowings shall be capitalized after deducted the interests or investment income derived from the unused borrowings by depositing in the bank or making short term investment. The amount of interests on general borrowings to be capitalized shall be calculated by multiplying the weighted average of the accumulative capital expenditure exceeding the special borrowings by the capitalization rate of the general borrowings. The capitalization rate is the weighted average rate of interest of general borrowings.

During the period of capitalization, the exchange gain or loss on foreign currency special borrowings shall be capitalized, while general borrowings into the current profit and loss.

Assets eligible for capitalization refers to the fixed assets, investment properties, inventories and other assets, of which the acquisition, construction or production may take quite a long time to get ready for intended use or be sale.

If the acquisition, construction or production of a qualified asset is interrupted abnormally for more than 3 months, the capitalization of borrowing costs shall be suspended, till acquisition, construction or production of the asset restarts.

### **18. Intangible assets**

#### **(1) Intangible assets**

Intangible asset refers to the identifiable non-monetary asset with no physical form, possessed or controlled by the Target Company.

Intangible asset shall be initially measured at its cost. Subsequent expenditure relevant to an intangible asset shall be recorded into the cost of an intangible asset, if the economic benefits associated with the intangible assets are likely to flow into the Target Company and the cost can be reliably measured. Other expenditures except mentioned before for an intangible item shall be recorded into the profit or loss for the current period.

Land use right is usually recognized as an intangible asset. For self-constructed plants and buildings, the expenditure on land use right and the cost of constructions shall be recognized as intangible assets and fixed assets respectively. For purchased plants and buildings, the relevant cost shall be allocated between the land use right and plants, and if it is impossible to be allocated, all the relevant cost shall be recognized as fixed assets.

The original value of an intangible asset with a definite useful life shall be amortized by the straight-line method over its useful life after deducting estimate residual value and impairment provision, while intangible assets with indefinite useful life shall not be amortized.

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Significant change of useful life and amortization method shall be taken as a change in accounting estimation after reviewing the useful life and the amortization method of intangible assets with definite useful life. After reviewing useful life and economic benefits inflow term of an intangible asset with an indefinite useful life, if the latter is predictable, intangible asset with an indefinite useful life shall be amortized according to policies applying to an intangible asset with a definite useful life.

(2) *Method of impairment test and measurement of impairment provision*

Impairment test and measurement of intangible assets refer to Note IV 20 “Impairment of non-current assets”.

**19. Long-term prepaid expenses**

Long-term prepaid expenses are expenditures and other expenses which have incurred but that shall be amortised over the current period and subsequent periods of more than one year. Long-term prepaid expenses of the Target Company mainly include expenses on parking fees, house renovation cost, etc. Long-term prepaid expenses are amortised over the estimated benefit period using the straight-line method.

**20. Impairment of non-current assets**

Non-financial and non-current assets, such as fixed assets, construction in progress, intangible assets with definite useful life, and long-term equity investments in subsidiaries and joint ventures and associations, judgment shall be made on the balance sheet date, to ensure whether there is any evidence of possible impairment of the assets. If there is, the recoverable amount of the assets shall be estimated and an impairment test shall be conducted. Goodwill, the intangible assets with indefinite useful life and those are not ready for intended use, shall be subject to impairment test every year.

If the recoverable amount of an asset is lower than its carrying value, the difference shall be recognized as impairment loss and a provision shall be made accordingly. The recoverable amount is the higher of fair value of an asset deducted disposal expense and the present value of expected future cash flow from the asset. The fair value of an asset is determined according to the price stipulated in a selling agreement, and If there is no selling agreement but a dynamic market exists, the fair value shall be determined according to a bid from a buyer. If there is neither a selling contract nor a dynamic market, the fair value of an asset shall be estimated based on maximum information available. The disposal expenses shall include the relevant legal expenses, relevant taxes, transport expenses as well as the direct expenses to get the asset ready for sale. The present value of expected future cash flow of an asset shall be established by discounting cash flow generated by continuous use and final disposal of the asset with an appropriate discount rate. Provision for impairment shall be determined on the basis of a single asset. If it is difficult to estimate the recoverable amount of a single asset, the asset shall be integrated into an asset group and impairment shall be carried out by the asset group. Asset group refers to minimum group of asset which can generate cash flow independently.

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## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

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Goodwill shown separately in financial statement, and when subject to impairment testing, the carrying amount of which is allocated to asset group or combination of asset group expecting to be benefited from cooperativity of business merger. If the test results show that the recoverable amount of asset group or combination of asset group containing goodwill allocated is lower than its carrying amount, relevant impairment loss shall be recognized. The amount of impairment loss offsets the carrying amount of the goodwill allocated to the asset group or the combination of asset group, and then offsets in proportion the carrying amount of all assets except goodwill, in line of percentages for the carrying amount of all assets except goodwill in asset group or combination of asset group.

Once impairment loss is recognized, it could not be reversed in subsequent accounting periods.

### 21. Employee benefits

The employee benefits, including short-term employee benefits, post-employment benefits and terminal benefits.

Short-term employee benefits, including wages, bonuses, allowances and subsidies, welfare, health insurance, maternity insurance, work injury insurance, housing fund, labor union funds, employee education fund and non-monetary benefits, etc. The short-term employee benefits are recognized as liabilities when actually incurred of rendering services from the employees during the accounting period, and eventually recognized in current profit or loss or related assets cost. The non-monetary benefits are measured at fair value.

Post-employment benefits include making contribution plans, which include basic old-age insurance, unemployment insurance and annuities and etc. The amount shall be accrued to the relevant assets cost or profit or loss.

The Target Company shall recognize the termination benefits as a provision and report in profit or loss accordingly, when the Company is not able to withdraw the termination benefits unilaterally due to the relief of labor relationship or lay-off proposal, the terminal benefits are recognized as employee liabilities and recognized in profit or loss at the date which is earlier between recognizing and paying off the terminal benefits related to the recombination. However, terminal benefits shall be recognized as long-term employee benefits if the benefits cannot be settled within 12 months after the reporting date.

The Target Company applied an internal retirement plan which shall be accounted in terms of abovementioned principal to the termination benefits. Salary and social insurance expected to be paid shall be recorded into current profit or loss from the date stopping rendering service to the normal retirement date, if the relevant expenditure satisfies the recognition criteria of contingent liability.

For the other long-term employee compensation meeting criteria of defined provision plan, relative defined plan accounting policies will be adopted; otherwise policies of defined benefit plan will be adopted.



**22. Anticipation liabilities**

Obligations arising from contingent events shall be recognized as projected liability provided that: (1) The Target Company has a practical obligation as a result of the past event; (2) probable economic benefit will flow out to settle the obligation and; (3) the obligation could be measured reliably.

On the balance sheet date, projected liability shall be initially measured at reasonably estimated necessary expenditure for settling the obligation, taking into account the risk and uncertainty and time value of money and other factors related to the contingent event.

If the expenditure necessary for the settlement of an obligation is expected to be reimbursed entirely or partially by a third party, the reimbursement shall be separately recognized as an asset only under the circumstance that it is virtually certain that reimbursement will be received, and shall not exceed the amount of the provision incurred previously.

**23. Revenue****(1) Revenue from sale of goods**

The revenue from sales of goods is recognized when the following conditions are satisfied simultaneously: ① The major risks and rewards of ownership of the goods have been transferred to the buyer; ② the Target Company retains neither continuing managerial involvement usually associated with the ownership nor effective control over the goods sold; ③ revenue could be measured reliably; ④ it is probable that economic benefit associated with the transaction will flow into the Target Company; ⑤ cost occurred or will occur relevant to the transaction could be measured reliably.

**(2) Revenue from services rendering**

If the economic benefit inflow of service rendering could be estimated reliably, revenue from service rendering shall be recorded into the income statement by proportion of service rendering.

While the following criteria are satisfied simultaneously, the economic benefit inflow of service rendering could be estimated reliably: ① The amount of revenue could be measured reliably; ② relevant economic benefit is likely to flow into the entity; ③ the percentage of completion of service could be measured reliably; ④ cost occurred or will occur related to the transaction can be measured reliably.

**(3) Revenue from construction contract**

In the situation that result of the construction contract can be reliably measured, contract revenue and cost are measured by using the completion percentage method on the balance sheet date. The progress of completion is determined by the percentage of total actual contract cost incurred to the total expected contract cost.

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## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

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Results of the construction contract can be reliably measured means satisfying the following conditions in the same time: ① Total Revenue from construction contract can be reliably measured; ② economical interests related to the contract may flow to the Target Company; ③ practical contract cost can be clearly distinguished and reliably measured; ④ the schedule of completion and the cost needed in the completion of the contract can be reliably insured.

In the situation that result of the construction contract cannot be reliably measured, contract revenue is measured at the amount of contract cost, which is able to be compensated, and contract cost is recognised in the profit or loss for the period. However, if the contract cost is unable to be compensated, it shall be recognised immediately as expense in profit or loss, with no recognition of contract revenue. In the situation that the uncertainty factors, which may lead to the result of the construction contract, cannot be reliably measured no longer exist, the related contract revenue and costs are measured by using the completion percentage method.

The expected loss which is resulted from the excess of total expected contract costs over the total expected contract revenue, is recognised as expense for the period.

In the contracts under construction, accumulated incurred cost and confirmed gross margin(loss) and settled cost shown as the balance sheet as net amount after offset. In the contracts under construction the part that sum of accumulated incurred cost and confirmed gross margin(loss) exceeds the settled cost shown as the stock; in the contracts under construction, the part that sum of settled cost shown exceeds the sum of accumulated incurred cost and confirmed gross margin(loss) is shown as the account collected in advance.

As for provided construction management way of transfer (BOT) engaged in public infrastructure construction business, the Target Company confirms related cost and income as offered construction service according to Accounting Standards for Business Enterprises NO.15-Construction Contract during project construction. After infrastructure is constructed, confirm the income and costs related to operating services afterwards according to Accounting Standards for Business Enterprises NO.14-Revenue.

#### **(4) *Royalty revenue***

Royalties shall be measured by accrual basis in accordance with the substance of the relevant contract or agreement.

#### **(5) *Interest revenue***

Interest revenue shall be determined in light of the loan term by the effective interest rate.

### **24. Government grants**

Government grant is the gratuitous monetary asset or non-monetary asset received from the government, excluding the capital injected by the government as an investor. Government grant is classified into government grant pertinent to assets and government grants pertinent to income. A government grant of monetary asset shall be measured at the amount received or receivable while

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government grant of non-monetary asset at fair value. If fair value cannot be obtained in a reliable way, government grant of a non-monetary asset shall be measured at its nominal amount and recorded into profit and loss for the current year accordingly.

Government grant pertinent to assets shall be initially recognized as deferred income and amortized into profit and loss on a straight-line basis over the useful life of the relevant asset. Government grant pertinent to income, designed to compensate future expenses or loss in subsequent periods, shall be initially recognized as deferred income and recorded to profit and loss in subsequent periods while relevant expenses occur or loss incurs.

If recognized government grant need be returned, the balance of relevant government grant shall be returned first and the shortage shall be recorded into current profit and loss.

### **25. Deferred income tax asset and liability**

#### **(1) Current income tax**

On the balance sheet date, the current income tax liability (or asset) incurred in the current period or prior periods shall be measured at expected payable (refundable) amount of income tax under applicable tax laws. Current income tax shall be calculated based on the taxable income resulted from accounting profit before tax adjusted in terms of the relevant tax law and regulations.

#### **(2) Deferred income tax asset and liability**

Deferred income tax asset and liability are calculated on the base of temporary difference between the carrying amount of the relevant asset and liability, and the amount by the relevant tax law and regulations by liability method.

If deductible temporary difference relate to initial recognition of good will, and not result from business combination and relate to initial recognition of asset and liability arising from transaction, by which accounting profit and taxable income (or deductible loss) will not be affected, relevant deferred income tax liability shall not be recognized. Moreover, for taxable temporary difference related to investment to subsidiaries, associates and joint ventures, if the Target Company is able to schedule the reversal of temporary difference which is unlikely to be reversed in the excepted future. Except above-mentioned, deferred income tax liability resulted from any other taxable temporary difference shall be recognized.

If deductible temporary difference relate to initial recognition of asset and liability arising from transaction, by which accounting profit and taxable income (or deductible loss) will not be affected, or not result from business combination, relevant deferred income tax asset shall not be recognized. Moreover, for deductible temporary difference related to investment to subsidiaries, associates and joint ventures, if the temporary difference is unlikely to be reversed in the foreseeable future or to be compensated by future taxable income, deferred income tax asset shall not be recognized. Except the above-mentioned, deferred income tax asset resulted from any other deductible temporary difference shall be recognized and calculated to the extent of future taxable income, which is likely to be gained and be used to compensate a deductible temporary difference.

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As for deductible loss or tax deduction that can be carried forward to next year, the corresponding deferred tax assets shall be recognized and calculated to the extent of future taxable income, which is likely to be gained and be used to compensate deductible loss and tax payable.

On the balance sheet date, the deferred tax asset and liability shall be calculated by the tax rate applicable to the period during which the asset is expected to be recovered or the obligation is expected to be settled.

On the balance sheet date, after reviewed the carrying value of deferred tax asset, the carrying value of the deferred tax assets shall be written-down if future taxable income is not sufficient to compensate benefit from deferred income tax asset, and if sufficient, the written-down shall be reversed.

### (3) *Income tax expenses*

Income tax expenses comprise current income tax expense and deferred income tax expense.

The current income tax and deferred income tax, associated with the transaction recorded into other comprehensive income or shareholder's equity, shall be recorded into other comprehensive income or shareholder's equity, while resulted from a business combination shall be taken as a adjustment to goodwill. Income taxes and deferred taxes except mentioned before shall be recorded into current profit or loss.

### (4) *Offset of income tax*

After granted the legal rights of net settlement and with the intention to use net settlement or obtain assets, repay debt, the Target Company, at the same time, records the net amount after offsetting its current income tax assets and current income tax liabilities.

The Target Company was granted the legal rights of net settlement of current income tax assets and current income tax liabilities. Deferred income tax assets and deferred income tax liabilities are related to income tax to be paid by the same entity liable to pay tax to the same tax collection and management authority or related to different entities liable to pay tax, but the relevant entity liable to pay tax is intended to apply net settlement of current income tax assets and liabilities or, at the same time, obtain assets, repay debt whenever every deferred income tax assets and liabilities with importance would be reversed in the future, the Target Company records the net amount after offsetting its current income tax assets and current income tax liabilities.

## 26. Lease

Financial lease refers to a lease where in substance all the risks and rewards related to the ownership of an asset have been transferred, the ownership of which may or may not eventually be transferred. Operational lease refers to a lease other than a financial lease.

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(1) *Operational lease to a lessee*

Rental for operational lease shall be recorded into the relevant asset cost or the profit or loss for the current period by a straight-line method over the lease term. Initial direct cost occurred shall be recorded into the profit and loss for the current period while contingent rental shall be recorded into profit or loss when actually occur.

(2) *Operational lease to a lessor*

Rental received from operational lease shall be recorded in the profit and loss for the current period by a straight-line method over the lease term. Initial direct significant cost occurred shall be capitalized when actually occur, and subsequently recorded into the profit and loss according to the way, by which the rental recorded into profit or loss. Contingent rental shall be recorded into profit and loss in when actually occur.

(3) *Finance lease to a lessee*

At the commencement of lease term, leased asset shall be measured at the lower of the fair value and the present value of the minimum lease payment, and the minimum lease payment shall be recognized as a long-term liability, and the difference shall be recognized as unrecognized finance charge. Moreover, initial direct cost attribute to lease the project and relate to negotiation and agreement signing shall be recorded into the leased asset cost. Minimum lease payment deducted by unrecognized finance charge shall be separately listed as long-term liability or long-term obligation due within one year according to its scheduled term.

Unrecognized finance charge shall be amortized with the effective interest rate, and contingent rental shall be recorded into profit and loss while occur.

(4) *Finance lease as a lessor*

At the commencement of lease term, finance lease receivable shall be measured at the sum of minimum lease receipts and initial direct cost, risk exposure shall be recorded simultaneously, and unrealized finance income shall be measured at the difference between the sum of minimum finance lease receipt and initial direct expenditure and risk exposure, and its present value. Finance lease receivable deducted by unrealized finance income shall be separately listed as long-term receivable and long-term receivable due within one year according to its due term.

Unrecognized finance income shall be amortized with the effective interest rate, and contingent rental shall be recorded into profit and loss while occur.

**27. Critical accounting judgments and estimates**

Judgments, estimates and assumptions shall be made to financial statements items, which could not be measured accurately, due to the inherent uncertainties of operating activities, while applying accounting policy. Management bases its judgments, estimates and assumptions on historical experience and other various factors, these judgments will influence the amount of revenues,

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## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

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expenses, assets and liabilities presented in financial reports and the disclosure of contingent liabilities on the balance sheet date. However, these uncertainties have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities.

The judgments, estimates and assumptions mentioned above shall be reviewed on a going concern basis. If the revisions to accounting estimates only influence the current period, relevant adjustment due to the effect shall be recognized in the current period; otherwise, in the current and future period.

On the balance sheet date, the significant fields involving judgments, estimates and assumptions about financial report items are listed as follows:

**(1) *Income tax***

Income tax is treated by balance sheet liability method.

The Target Company recognizes combined results of current amount incurred of deferred income tax assets and deferred income tax liabilities as deferred income tax, and adds it into income tax expense at the same time, but deferred income tax confirmed by business combinations and deferred income tax confirmed by transactions or events directly included in owners' equity are excluded.

Manners of settlement and payment of income tax: quarterly prepaid and year-end final settlement.

**(2) *Fair value measurement***

The Target Company uses fair value to measure relevant assets or liabilities based on the following assumptions:

Transactions in which market participants measure daily asset sales or transfer liabilities are orderly transactions under the present market Environment;

orderly transactions of selling assets or transferring liabilities are in progress in major market of relevant assets or liabilities. If there is no major market, the transaction is assumed to be in progress in the most advantageous market of relevant assets or liabilities.

Assumption that market participants will utilize to maximize their economic interests when pricing the assets or liabilities is adopted.

The Target Company will use its trading price as the initial confirmation fair value according to nature of transactions, characteristics of relevant assets or liabilities and so on.

Other relevant accounting standards require or permit that companies use fair value to conduct initial measurement upon relevant assets or liabilities, and as for the trading price which is not equal to fair value, companies will add relevant profits or losses into current profits and losses, except as otherwise stipulated by other relevant accounting standards.

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When using fair value to measure non-financial assets, market participants' abilities to make best use of the assets to generate economic interests, or abilities to sell the assets to other market participants who can make best use of it to generate economic interests need to be considered.

When adopting evaluation technique, the Target Company considers evaluation techniques that are applicable under the current circumstance, and have enough available data and other information to support it. Input values of evaluation technique use relevant observable input values in preference, and only if relevant observable input values cannot be obtained or feasible, unobservable input values can be used.

Input values used in fair value measurement are divided into three levels:

Input values at the first level are offers unadjusted in active market of identical assets or liabilities that can be obtained on measurement date.

Input values at the second level are directly or indirectly observable input values of relevant assets or liabilities except input values at the first level.

Input values at the third level are unobservable input values of relevant assets or liabilities.

Level of results of fair value measurement is determined by the lowest level of the input value which is of great significance to fair value measurement.

### V. TAXATION

#### 1. Main taxes and tax rates

Taxes	Tax base	Tax Rates	Remarks
VAT(Value added tax)	Sales income and royalties	3%, 4%, 6%, 17%	
Business tax	Building Installation services, rental income, sales of real estate	3%, 5%	
Urban maintenance and construction tax	Payable turnover taxes	5%, 7%	City construction and maintenance tax's tax rate of Chengdu JiuJiang Environmental Protection Power Generation Co., Ltd is 5%, and that of others is 7%.
Educational surcharges	Payable turnover taxes	3%	
Local educational surcharges	Payable turnover taxes	2%	
Enterprise income tax	Taxable income	0%, 7.5%, 15%, 20%, 25%	

**2. Tax incentives and official document****(1) VAT (value-added tax) preferential policies:**

According to The Notice of Adjusting and Perfecting the Policies for Comprehensive Utilization of Resources and Labor Value-added Taxes (CS [2011] NO.115), before 1 July 2015, Water Group, Chengdu Jiujiang Environmental Protection Power Generation Co., Ltd., Dali SanFeng Renewable Energy Power Generation Co., Ltd., Kunming ChongGang Renewable Energy Power Generation Co., Ltd., Chongqing FengSheng Environmental Protection Power Generation Co., Ltd., Xichang SanFeng Environmental Protection Power Generation Co., Ltd., Liu'an SanFeng Environmental Protection Power Generation Co., Ltd., Chongqing Tongxing garbage disposal Co., Ltd. can enjoy the VAT refund policy as well as the VAT policy of garbage disposal fees. According to the Notice of Ministry of Finance and State Administration of Taxation on Printing and Distributing the Catalog of Comprehensive Utilization of Resources and Labor Value-added Taxes (CS [2015] NO.78), after 1 July 2015, Water Group, Chengdu Jiujiang Environmental Protection Power Generation Co., Ltd., Dali SanFeng Renewable Energy Power Generation Co., Ltd., Kunming ChongGang Renewable Energy Power Generation Co., Ltd., Chongqing FengSheng Environmental Protection Power Generation Co., Ltd., Xichang SanFeng Environmental Protection Power Generation Co., Ltd., Liu'an SanFeng Environmental Protection Power Generation Co., Ltd., Chongqing Tongxing garbage disposal Co., Ltd. meet the requirements of the catalog of comprehensive utilization of resources and labor value-added taxes; the company's electricity income which generated by use of garbage can levy and refund 100% of VAT and the company's labor income which generated from garbage disposal and sludge treatment can levy and refund 70% of VAT.

**(2) Corporate income tax preferential policies:**

① According to The Notice of the Ministry of Finance, General Administration of Customs and State Administration of Taxation on Tax Policy Relating to the Further Implementation of Western Development Strategy (CS [2011] NO.58), from January 1, 2011 to December 31, 2020, the encouraged industries and enterprises in the western region shall be subject to the corporate income tax at the rate of 15%; subsidiaries of the Target Group in the western region (Chongqing SanFeng Covanta, Environmental Industry Co., Ltd., Chongqing FengSheng Environmental Protection Power Generation Co., Ltd., Chongqing SanFeng Technology Co., Ltd., Kunming ChongGang Renewable Energy Power Generation Co., Ltd., Chengdu Jiujiang Environmental Protection Power Generation Co., Ltd., Xichang SanFeng Environmental Protection Power Generation Co., Ltd., Chongqing Tongxing garbage disposal Co., Ltd.) meet the requirements of tax reduction; applicable tax rate is 15%. At the same time, according to the Regulations on the Implementation of the Enterprise Income Tax Law of the People's Republic of China, from the project to obtain first production and operation income tax year, the income of the subsidiaries of the Group gained from the engagement in the environmental protection and energy saving and water saving projects can exempt from corporate income tax from the first year to the third year while the fourth year to the six year can be reduced by half of corporate income tax;



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- ② Dali SanFeng Renewable Energy Power Generation Co., Ltd. is subject to 25% of tax rate of its operating income and enjoys the preferential policies of “three exemptions and three halves” of the enterprise income tax; the enterprise income tax will be exempted from 2013 to 2015 and from 2016 to 2018 the corporate income tax will be reduced to half.
- ③ On April 15, 2014, the document Notice of Tax Matters (SGTS [2014] NO.004) of State Administration of Taxation of Shuangliu County announced that Chengdu Jiujiang Environmental Protection Power Generation Co., Ltd. meets the requirement of The Notice of State Development and Reform Commission of Ministry of Finance on the Promulgation of the Catalog of Enterprise Income Tax on Environmental Protection and Energy Saving and Water Saving Projects (Trial Implementation) (CS [2009] NO.166); then this company can exempt corporate income tax from 2011 to 2013 and from 2014 to 2016 the corporate income tax will be reduced to half; in 2016, the company’s income tax rate will be 7.5%. According to the Measures for the Administration of Enterprise Income Tax Preferential Policies (NO.76, 2015) issued by the State Administration of Taxation, if the enterprises use the resources under The Catalog of Enterprise Income Tax Preferential Policy of Resources Comprehensive Utilization as its main resources then the income that produced by the production of non-restricted and non-prohibited and meet requirement of the national and industry-related standards will be reduced to 90% of the total annual income of the enterprise; so the power generation income of Chengdu Jiujiang Environmental Protection Power Generation Co., Ltd. will be reduced to 90% of its total income.
- ④ According to The Notice of Tax Matters (BNGSST [2014] NO.4660) of Ba’nan District State Taxation, Chongqing City, Chongqing FengSheng Environmental Protection Power Generation Co., Ltd. can enjoy the western development of income tax preferential policies in 2014 and its implementation of tax rate is 15%. According to The Notice of Tax Matters (BNGSST [2013] NO.951) of Ba’nan District State Taxation, Chongqing FengSheng Environmental Protection Power Generation Co., Ltd. can enjoy three years’ exemption from corporate income tax from 2012 and enjoy three years’ half of the corporate income tax from 2015; in 2016, the company’s income tax rate will be 7.5%.
- ⑤ According to the enterprise income tax filling notice issued by the State Administration of Taxation of Guandu District, Kunming City, Yunan Province, the projects of Kunming ChongGang Renewable Energy Power Generation Co., Ltd. meet the requirement of article 88 of The Implementation Regulations of Enterprise Income Tax Law and can enjoy the environmental protection project tax preferential conditions in its enterprise income tax; it can also enjoy the exemption of corporate income tax from 2013 to 2015 and enjoy half of the corporate income tax from 2016-2018.
- ⑥ According to The Notice of Tax Matter issued by Shengli Tax Branch of State Taxation Bureau of Dongying City on April 15, 2014, Dongying Yellow River Delta SanFeng Eco-Energy Co., Ltd. meets the requirements of article 88 of The Implementation Regulations of Enterprise Income Tax Law and item 2 of “public waste disposal” in the “domestic waste disposal project” in The Notice of State Development and Reform Commission of Ministry of Finance on the Promulgation of the Catalog of Enterprise Income Tax on Environmental Protection and Energy Saving and Water Saving Projects (Trial Implementation) (CS [2009]

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NO.166); then this company can enjoy the preferential policies of “three exemptions and three halves” of the enterprise income tax; the enterprise income tax will be exempted from 2014 to 2016 and from 2017 to 2019 the corporate income tax will be reduced to half.

- ⑦ According to NO.166 document of CS [2009], Liu’an SanFeng Environmental Protection Power Generation Co., Ltd. is regarded as the enterprise which included in the Catalog of Preferential Enterprise Income Tax on Environmental Protection and Energy Saving and Water Saving Projects (Trial Implementation) (CS [2009] NO.166) issued by the Ministry of Finance, State Administration of Taxation and National Development and Reform Commission; so this company can enjoy preferential of three years’ exemption of corporate income tax from January 1, 2015 to December 31, 2017 and three years’ half of corporate income tax from January 1, 2018 to December 31, 2020.
- ⑧ Xichang SanFeng Environmental Protection Power Generation Co., Ltd. meets the requirement of The Notice of the State Development and Reform Commission of the Ministry of Finance on the Promulgation of the Catalog of Enterprise Income Tax on Environmental Protection and Energy Saving and Water Saving Projects (Trial Implementation) (CS [2009] NO.166) and engages in qualified environmental protection and energy saving projects, so the corporate income tax from 2015 to 2017 of this company is exempted.
- ⑨ According to WanZhou GSLST (2015)NO.2681, the application of the company’s corporate income tax exemption and reduction on environmental protection, energy conservation and water conservation projects which meet the requirements is subject to legal conditions and standards so can be granted for record. The reduction period is from January 1, 2015 to December 31, 2020.
- ⑩ According to The Notice of Tax Matters (KTGSST [2016] NO. 3790) issued by Ketang Tax Branch of Haifeng State Taxation Bureau in Guangdong province, Shanwei SanFeng Environment Protection Electricity Generating Co., Ltd. meets the requirement of article 27 (3) of Enterprise Income Tax Law of the People’s Republic of China by the NO.63 Order of the President of the People’s Republic of China; it writes the enterprise’s income which gains from following can reduce and exempt its corporate income tax: (III) the income gained from environmental protection and energy saving and water saving projects; so the company can reduce and exempt its corporate income tax from 2016 to 2021.
- ⑪ According to CS [2009] NO.166, the company is regarded as the enterprise which included in The Catalog of Preferential Enterprise Income Tax on Environmental Protection and Energy Saving and Water Saving Projects (Trial Implementation) issued by the Ministry of Finance, State Administration of Taxation and National Development and Reform Commission; so after the filing to the State Taxation Bureau of Liu’an City, Anhui Province, Liu’an SanFeng Environment Protection Power Generation Co., Ltd. can enjoy preferential of three years’ exemption of corporate income tax from January 1, 2015 to December 31, 2017 and three years’ half of corporate income tax from January 1, 2018 to December 31, 2020.

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- ⑫ According to the spirit of The Notice Forwarding by the State Council General Office from the Western Development Office of the State Council on the Implementation of Opinions on Several Policies and Measures for the Western Development (GFB [2001] NO.73) and the regulations of The Notice of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on Further Implementing the Relevant Tax Policies on the Strategy of Developing the Western Region (CS [2011] NO.58), the relevant tax policies have made clear to further supporting the western development; from January 1, 2011 to December 31, 2020, the encouraged industries and enterprises on the western region shall levy the corporate income tax at the rate of 15%. Local competent tax authorities of Chongqing city shall levy the corporate income tax at the rate of 15% of Water Group. According to Yuzhong District Local Taxation Bureau to Declare a Small Low-profit Enterprise Registration Form approved by the Zhongshan Road Tax Branch of Yuzhong District Local Taxation Bureau, Chongqing City on March 30, 2012, the Chongqing Panther Advertising Co., Ltd. which is a subsidiary of Chongqing Water Supply Co., Ltd that belongs to the company's is a small low-profit enterprise and applies 20% of corporate income tax rate.

### VI. ITEM NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Unless otherwise noted, the following notes (include the main item notes of the company's financial statements), the beginning of the year refers to 31 December 2015 and the end of the period refers to 30 November 2016. The current period refers to the period from January to November in 2016 and last year refers to the whole year of 2015.

#### I. Monetary capital

Item	30 November 2016	31 December 2015
Treasury cash	192,180.20	129,512.01
Bank deposit	7,147,122,884.50	6,638,911,323.94
Other monetary funds	15,274,038.91	32,566,951.08
Total	7,162,589,103.61	6,671,607,787.03
Including: Total deposits in overseas banks		

(Continued)

Item	31 December 2014	31 December 2013
Treasury cash	204,871.22	136,528.62
Bank deposit	4,607,526,568.11	5,589,225,562.35
Other monetary funds	30,550,758.07	19,785,323.94
Total	4,638,282,197.40	5,609,147,414.91
Including: Total deposits in overseas banks		

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### 2. Financial assets at fair value through profit or loss

#### *Category*

Item	30 November 2016	31 December 2015
Trading financial assets		
Include: Debt instruments investment		
Equity instrument investment		
Derivative financial assets		
Others		
Designated as financial assets at fair value through profit or loss		
Include: Debt instruments investment		
Equity instrument investment		
Others		
Total		

(Continued)

Item	31 December 2014	31 December 2013
Trading financial assets	4,535,352.88	3,799,458.99
Include: Debt instruments investment		19,655.50
Equity instrument investment	2,257,600.18	1,180,967.60
Derivative financial assets		
Others	2,277,752.70	2,598,835.89
Designated as financial assets at fair value through profit or loss		
Include: Debt instruments investment		
Equity instrument investment		
Others		
Total	4,535,352.88	3,799,458.99

### 3. Notes receivable

#### *Classification of notes receivable*

Item	30 November 2016	31 December 2015
Bank acceptance	22,057,126.90	14,460,000.00
Commercial acceptance		200,000.00
Total	22,057,126.90	14,660,000.00

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(Continued)

Item	31 December 2014	31 December 2013
Bank acceptance	10,500,000.00	4,800,000.00
Commercial acceptance	5,000,000.00	
Total	15,500,000.00	4,800,000.00

### 4. Accounts receivable

#### (1) Classification of accounts receivable

Categories	30 November 2016				
	Book balance		Provision for bad debts		Book value
	Amount	Percentage (%)	Amount	Provisioning percentage (%)	
Receivables with significant amount and provision for bad debts individually					
Receivables with provision for bad debts according to the combination of credit risk characteristics	2,026,891,324.88	99.82	175,947,052.02	8.68	1,850,944,272.86
Receivables with insignificant amount but with separate provision for bad debts	3,746,000.00	0.18	3,746,000.00	100.00	
Total	2,030,637,324.88	100.00	179,693,052.02	8.85	1,850,944,272.86

(Continued)

Categories	31 December 2015				
	Book balance		Provision for bad debts		Book value
	Amount	Percentage (%)	Amount	Provisioning percentage (%)	
Receivables with significant amount and provision for bad debts individually					
Receivables with provision for bad debts according to the combination of credit risk characteristics	1,492,585,270.23	100.00	158,944,421.72	10.65	1,333,640,848.51
Receivables with insignificant amount but with separate provision for bad debts					
Total	1,492,585,270.23	100.00	158,944,421.72	10.65	1,333,640,848.51

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

(Continued)

Categories	31 December 2014				
	Book balance		Provision for bad debts		Book value
	Amount	Percentage (%)	Amount	Provisioning percentage (%)	
Receivables with significant amount and provision for bad debts individually					
Receivables with provision for bad debts according to the combination of credit risk characteristics	1,156,945,810.69	100.00	112,683,668.35	9.74	1,044,262,142.34
Receivables with insignificant amount but with separate provision for bad debts					
Total	1,156,945,810.69	100.00	112,683,668.35	9.74	1,044,262,142.34

(Continued)

Categories	31 December 2013				
	Book balance		Provision for bad debts		Book value
	Amount	Percentage (%)	Amount	Provisioning percentage (%)	
Receivables with significant amount and provision for bad debts individually					
Receivables with provision for bad debts according to the combination of credit risk characteristics	914,706,512.26	100.00	94,416,735.46	10.32	820,289,776.80
Receivables with insignificant amount but with separate provision for bad debts					
Total	914,706,512.26	100.00	94,416,735.46	10.32	820,289,776.80

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

① *In portfolios, presentation of accounts receivable according to ageing analysis*

Aging	30 November 2016		
	Receivables	Provision for bad debts	Provisioning percentage (%)
Within 1 year	1,845,304,808.47	92,349,566.49	5
1-2 years	38,426,353.20	3,842,635.33	10
2-3 years	76,699,467.27	19,301,328.99	50、20
Over 3 years	66,460,695.94	60,453,521.21	100、90、50
Total	2,026,891,324.88	175,947,052.02	

Aging	31 December 2015		
	Receivables	Provision for bad debts	Provisioning percentage (%)
Within 1 year	1,081,923,658.00	54,102,267.93	5
1-2 years	239,729,325.85	23,972,932.58	10
2-3 years	93,557,231.59	20,712,404.92	50、20
Over 3 years	77,375,054.79	60,156,816.29	100、90、50
Total	1,492,585,270.23	158,944,421.72	

Aging	31 December 2014		
	Receivables	Provision for bad debts	Provisioning percentage (%)
Within 1 year	947,276,977.77	47,363,848.89	5
1-2 years	120,506,068.97	12,050,606.91	10
2-3 years	38,730,144.04	10,836,233.02	50、20
Over 3 years	50,432,619.91	42,432,979.53	100、90、50
Total	1,156,945,810.69	112,683,668.35	

Aging	31 December 2013		
	Receivables	Provision for bad debts	Provisioning percentage (%)
Within 1 year	811,876,797.94	40,593,839.90	5
1-2 years	36,310,529.02	3,631,052.92	10
2-3 years	14,919,453.68	5,503,966.71	50、20
Over 3 years	51,599,731.62	44,687,875.93	100、90、50
Total	914,706,512.26	94,416,735.46	

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

The above aging is based on the date of sales recognition. As at 31 December 2013, 2014, 2015 and 30 November 2016, no accounts receivables were past due.

② *Receivables of individually insignificant amount but provision for bad debts individually*

Receivables (By unit)	Closing balances			reasons
	Receivables	Provision for bad debts	Provisioning percentage (%)	
Shanghai Zhongxin Water Industry Co., Ltd.	3,746,000.00	3,746,000.00	100.00	It is estimated that the company can't withdraw it
Total	3,746,000.00	3,746,000.00		

(2) *Top five accounts receivable according to closing balance of debtors*

Debtor	Book amount	Total percentage of receivables' closing balances
Chongqing Municipal Finance Bureau	1,315,961,298.59	64.81%
Xingyi Xinheng City Construction Investment Co., Ltd.	46,019,481.75	2.27%
State Grid Anhui Electric Power Co., Ltd	40,794,685.04	2.01%
Sichuan Electric Power Co., Ltd	32,134,630.63	1.58%
Luzhou Xinglu Environmental Protection and Development Co., Ltd	30,056,820.30	1.48%
Total	1,464,966,916.31	72.15%

### 5. Prepayments

(1) *Presentation of prepayments stated according to ageing analysis*

Ageing	30 November 2016		31 December 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	204,508,826.02	57.12	184,189,896.46	56.19
1-2 years	50,223,152.93	14.03	87,483,528.70	26.69
2-3 years	60,578,328.07	16.92	40,916,542.18	12.48
Over 3 years	42,707,502.24	11.93	15,233,600.93	4.64
Total	358,017,809.26	-	327,823,568.27	-



## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

(Continued)

Aging	31 December 2014		31 December 2013	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	220,434,551.97	75.03	139,311,709.45	69.70
1-2 years	57,514,268.56	19.58	38,850,400.07	19.44
2-3 years	7,695,180.78	2.62	5,625,083.06	2.81
Over 3 years	8,142,979.77	2.77	16,099,829.64	8.05
Total	293,786,981.08	-	199,887,022.22	-

**(2) Top five prepayment according to closing balance of prepaid parties**

Creditor Company	Debtor Company	Closing balance	Aging	Reason for being unsettled	Percentage of closing balance of total other Prepayments
Chongqing San Feng Covanta Environmental Industry Co. Ltd.	Jianglian Heavy Industry Group Co., Ltd	34,678,750.00	Within 1 year	Unbalanced	9.69%
	Anhui Jinding Boiler Corporation Limited	26,955,000.00	Within 2 year	Unbalanced	7.53%
	Nantong Wanda Boiler Co. Ltd.	23,261,000.00	Within 1 year	Unbalanced	6.50%
Chongqing public utility Construction Co. Ltd.	Chongqing Hualian Road and Bridge Engineering Co. Ltd.	15,270,647.78	Within 3 year	Unbalanced	4.27%
	Chongqing Big Green Eco-agricultural Development Co. Ltd.	15,083,000.00	Within 3 year	Unbalanced	4.21%
Total		115,248,397.78	-	-	32.20%

### 6. Interest receivable

**(1) Categories of Interest receivable**

Item	30 November 2016	31 December 2015
Time deposit	6,251,388.89	
Entrusted loan	1,313,500.00	
Financial products	859,178.00	
Total	8,424,066.89	

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

(Continued)

Item	31 December 2014	31 December 2013
Time deposit	3,037,615.31	8,498,632.36
Entrusted loan		
Financial products		
Total	3,037,615.31	8,498,632.36

### 7. Other receivables

#### (1) Disclosure of other receivables according to category

Categories	30 November 2016				
	Book balance		Provision for bad debts		Book value
	Amount	Percentage (%)	Amount	Provision Percentage (%)	
Other receivables with significant amount and provision for bad debts individually	145,095,763.82	39.83	435,287.29	0.30	144,660,476.53
Other receivables with provision for bad debts according to the combination of credit risk characteristics	195,017,435.06	53.54	20,409,552.42	10.47	174,607,882.64
Other receivables with insignificant amount but with separate provision for bad debts	24,163,575.94	6.63	765,802.70	3.17	23,397,773.24
Total	364,276,774.82	100	21,610,642.41	5.93	342,666,132.41

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

(Continued)

Categories	31 December 2015				
	Book balance		Provision for bad debts		Book value
	Amount	Percentage (%)	Amount	Provision Percentage (%)	
Other receivables with significant amount and provision for bad debts individually	1,189,704,313.01	86.75	3,569,112.79	0.30	1,186,135,200.22
Other receivables with provision for bad debts according to the combination of credit risk characteristics	156,565,213.76	11.42	15,469,217.27	9.88	141,095,996.49
Other receivables with insignificant amount but with separate provision for bad debts	25,083,846.22	1.83	327,252.28	1.30	24,756,593.94
<b>Total</b>	<b>1,371,353,372.99</b>	<b>100.00</b>	<b>19,365,582.34</b>	<b>1.41</b>	<b>1,351,987,790.65</b>

(Continued)

Categories	31 December 2014				
	Book balance		Provision for bad debts		Book value
	Amount	Percentage (%)	Amount	Provision Percentage (%)	
Other receivables with significant amount and provision for bad debts individually	3,490,500,000.00	95.99	10,471,500.00	0.30	3,480,028,500.00
Other receivables with provision for bad debts according to the combination of credit risk characteristics	116,326,080.45	3.20	12,218,374.52	10.50	104,107,705.93
Other receivables with insignificant amount but with separate provision for bad debts	29,398,862.82	0.81	3,542,107.15	12.05	25,856,755.67
<b>Total</b>	<b>3,636,224,943.27</b>	<b>100.00</b>	<b>26,231,981.67</b>	<b>0.72</b>	<b>3,609,992,961.60</b>

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

(Continued)

Categories	31 December 2013				
	Book balance		Provision for bad debts		Book value
	Amount	Percentage (%)	Amount	Provision Percentage (%)	
Other receivables with significant amount and provision for bad debts individually	50,945,625.00	29.79	152,836.88	0.30	50,792,788.12
Other receivables with provision for bad debts according to the combination of credit risk characteristics	74,935,701.18	43.82	11,085,927.07	14.79	63,849,774.11
Other receivables with insignificant amount but with separate provision for bad debts	45,112,844.39	26.39	10,172,768.78	22.55	34,940,075.61
Total	170,994,170.57	100.00	21,411,532.73	12.52	149,582,637.84

① *Other receivables with significant single amount and provision for bad debts separately at the end of the period*

Other receivables (By entity)	Closing balances			
	Other receivables	Provision for bad debts	Provision Percentage (%)	Reason for provision
Qi Ye construction group Co. Ltd	107,259,663.01	321,778.99	0.30	Deposit
Yingshan County 1st Ring Road Construction Headquarters	27,714,600.00	83,143.80	0.30	Deposit
Xinjiang Mei Taiyuan Real Estate Development Co., Ltd.	10,121,500.81	30,364.50	0.30	Deposit
Total	145,095,763.82	435,287.29	—	—

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

② *In portfolios, presentation of other receivables according to ageing analysis*

Aging	30 November 2016		
	Other receivables	Provision for bad debts	Provision Percentage (%)
Within 1 year	106,588,011.50	5,329,400.58	5
1-2 years	16,013,893.97	1,602,589.39	10
2-3 years	9,367,944.66	3,428,829.24	50、20
Over 3 years	11,977,750.57	9,895,523.72	100、90、50
Total	143,947,600.70	20,256,342.92	

Aging	31 December 2015		
	Other receivables	Provision for bad debts	Provision Percentage (%)
Within 1 year	114,068,781.56	5,703,439.08	5
1-2 years	28,245,941.12	2,823,814.10	10
2-3 years	3,618,812.84	1,388,976.20	50、20
Over 3 years	10,631,678.24	5,552,987.89	100、90、50
Total	156,565,213.76	15,469,217.27	

Aging	31 December 2014		
	Other receivables	Provision for bad debts	Provision proportion (%)
Within 1 year	87,343,600.58	4,367,180.03	5
1-2 years	13,772,554.53	1,377,255.45	10
2-3 years	5,663,382.84	1,163,197.45	50、20
Over 3 years	9,546,542.50	5,310,741.59	100、90、50
Total	116,326,080.45	12,218,374.52	

Aging	31 December 2013		
	Other receivables	Provision for bad debts	Provision Percentage (%)
Within 1 year	44,482,457.11	2,224,122.86	5
1-2 years	18,651,172.55	1,865,117.25	10
2-3 years	5,011,925.62	1,627,430.68	50、20
Over 3 years	6,790,145.90	5,369,256.28	100、90、50
Total	74,935,701.18	11,085,927.07	

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

③ *In portfolios, presentation of other receivables according to the percentage of balance*

Portfolio name	Closing balance		
	Other receivables	Provision for bad debts	Provision Percentage (%)
Engineering security deposit & Performance security deposit	51,069,834.36	153,209.50	0.30
Total	51,069,834.36	153,209.50	0.30

(2) *Recovery or reversal of bad debt provision for the period*

Unit Name	Amount of Recovery or reversal	method
Yang Rong	17,213.17	Refund
State Grid Chongqing Electric Power Company	45,000.00	Refund
Beijing Meili Zhongsheng Environmental Engineering Co. Ltd.	2,323.76	Refund
State Grid Chongqing Electric Power Company Liangping County Power Supply Branch	56,700.00	Refund
Chongqing Electric Power Company Shapingba Power Supply Bureau	101,520.00	Refund
WuYue	2,500.00	Refund
Public Liability Insurance	261,439.84	Refund
Total	486,696.77	

(3) *Particulars of accounts receivable actually written off during the reporting period*

Item	Amount
Intercourse funds	5,006,712.33

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

*Particulars of major other receivables' written off during the period*

Name	Nature of other receivables	Amount	Reason	Performance of other receivables' written off	Whether as a result of related transactions
Chongqing iron and steel (Group)Limited Liability Company	Interest	5,006,712.33	Based on Termination Agreement of Loan Agreement signed by Chongqing Feng Sheng Environmental Protection Power Generation Co. Ltd. and Chongqing Iron and Steel (Group) Limited Liability Company, Chongqing Feng Sheng Environmental Protection Power Generation Co. Ltd. gave up creditor's rights of RMB5,006,712.33 to Chongqing Iron and Steel (Group) Limited Liability Company.	Signed Termination Agreement of Loan Agreement	No
Total		5,006,712.33			

**(4) Presentation of prepayments stated according to ageing nature**

Nature of prepayments	30 November 2016	31 December 2015
Investment and financial management	9,580,817.57	1,000,000,000.00
Investment ability deposit	259,309,741.82	259,655,296.43
Contact with Infrastructure Construction Unit	62,607,947.60	13,350,491.61
Others	32,778,267.83	98,347,584.95
Total	364,276,774.82	1,371,353,372.99

(Continued)

Nature of prepayments	31 December 2014	31 December 2013
Investment and financial management	3,200,000,000.00	
Investment ability deposit	346,208,119.36	71,841,077.50
Contact with Infrastructure Construction Unit	22,931,328.50	20,106,706.14
Others	67,085,495.41	79,046,386.93
Total	3,636,224,943.27	170,994,170.57

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

### (5) Top five other receivables according to closing balance of debtors

Name of entity	Nature	Closing balance	Aging	Percentage of closing balance of total other receivables (%)	Provision for bad debts
The Seventh Metallurgical Construction Limited Liability Company	Investment ability deposit	107,259,663.01	3-4 years	29.44	321,778.99
Yingshan County 1st Ring Road Construction Headquarters	Investment ability deposit	27,714,600.00	Within 1 year	7.61	83,143.80
Chongqing Silian Real Estate Development Co., Ltd.	Deposit	16,000,000.00	Within 1 year	4.39	800,000.00
Binzhou Yangda Real Estate Development Co., Ltd.	Deposit	15,000,000.00	Within 1 year	4.12	750,000.00
Luzhou Xinglu Environmental Protection Development Co., Ltd.	Deposit, security deposit, advance money for water and electricity	30,089,593.14	Within 3 year	8.26	248,410.62
Total	—	196,063,856.15	—	53.82	2,203,333.41

## 8. Inventory

### (1) Categories of inventories

Item	30 November 2016		
	Book balance	Impairment provision	Book value
Raw materials	117,102,187.74		117,102,187.74
Self-made semi-finished products and in producing products	14,491,582.32		14,491,582.32
Inventory goods	11,539,499.05	4,277,157.50	7,262,341.55
Revolving Materials	2,888,113.97		2,888,113.97
Project construction	665,320,918.15	5,597,132.57	659,723,785.58
Development costs	6,550,617.25		6,550,617.25
Others	3,661,837.99		3,661,837.99
Total	821,554,756.47	9,874,290.07	811,680,466.40



## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

(Continued)

Item	31 December 2015		
	Book balance	Impairment provision	Book value
Raw materials	76,186,012.81		76,186,012.81
Self-made semi-finished products and in producing products	15,265,179.97		15,265,179.97
Inventory goods	9,253,619.92	4,277,157.50	4,976,462.42
Revolving Materials	5,016,996.45		5,016,996.45
Project construction	667,963,662.86		667,963,662.86
Development costs	1,927,740.14		1,927,740.14
Others	8,960,124.94		8,960,124.94
<b>Total</b>	<b>784,573,337.09</b>	<b>4,277,157.50</b>	<b>780,296,179.59</b>

(Continued)

Item	31 December 2014		
	Book balance	Impairment provision	Book value
Raw materials	73,463,107.91		73,463,107.91
Self-made semi-finished products and in producing products	22,863,981.37		22,863,981.37
Inventory goods	5,959,209.36	4,277,157.50	1,682,051.86
Revolving Materials	5,091,099.60		5,091,099.60
Project construction	321,507,283.63		321,507,283.63
Development costs	3,243,755.67		3,243,755.67
Others	7,897,442.94		7,897,442.94
<b>Total</b>	<b>440,025,880.48</b>	<b>4,277,157.50</b>	<b>435,748,722.98</b>

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

(Continued)

Item	31 December 2013		
	Book balance	Impairment provision	Book value
Raw materials	61,857,823.41		61,857,823.41
Self-made semi-finished products and in producing products	11,207,935.52		11,207,935.52
Inventory goods	19,574,364.88		19,574,364.88
Revolving Materials	256,196.60		256,196.60
Project construction	106,741,891.14		106,741,891.14
Development costs	3,243,755.67		3,243,755.67
Others	10,468,892.05		10,468,892.05
Total	213,350,859.27		213,350,859.27

### (2) Impairment provision for inventories

Item	Opening balance	Increased amount in current period		Decreased amount in current period		Closing balances
		Provision	Others	Recovery or reversal	Others	
Inventory goods	4,277,157.50					4,277,157.50
Project construction		5,597,132.57				5,597,132.57
Total	4,277,157.50	5,597,132.57				9,874,290.07

### 9. Assets classified as held for sale

Item	book value On 31 December 2013	Fair value	Expected disposal expenses	Expected disposal time
Non-current assets held for sale	2,569,245,287.85	2,426,106,000.00		2014
Include: stock rights	2,569,245,287.85	2,426,106,000.00		2014
Total	2,569,245,287.85	2,426,106,000.00		

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

### 10. Non-current assets due within one year

Item	30 November 2016	31 December 2015	Notes
Financial assets available for sale within one year			
Held-to-maturity investment due within one year			
Long-term receivables due within one year		8,533,333.33	
Other non-current assets due within one year (include entrust loans)	4,520,221.88	400,000,000.00	
<b>Total</b>	<b>4,520,221.88</b>	<b>408,533,333.33</b>	

(Continued)

Item	31 December 2014	31 December 2013	Notes
Financial assets available for sale within one year			
Held-to-maturity investment due within one year			
Long-term receivables due within one year	8,666,666.67	70,435,604.97	
Other non-current assets due within one year (include entrust loans)			
<b>Total</b>	<b>8,666,666.67</b>	<b>70,435,604.97</b>	

### 11. Other current assets

Item	30 November 2016	31 December 2015
Input tax to be deducted	87,150,089.55	104,296,160.33
Classification of bank financial products	1,550,000,000.00	
Others	38,424.99	
<b>Total</b>	<b>1,637,188,514.54</b>	<b>104,296,160.33</b>

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

(Continued)

Item	31 December 2014	31 December 2013
Input Tax to be deducted	81,248,751.45	89,262,885.02
Classification of bank financial products		
Others		
Total	81,248,751.45	89,262,885.02

### 12. Available-for-sale financial assets

#### (1) Particulars of available-for-sale financial assets

Item	30 November 2016			31 December 2015		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Available-for-Sale debt instruments						
Available-for-sale equity instrument	492,318,107.30	1,727,805.00	490,590,302.30	494,776,244.70	1,727,805.00	493,048,439.70
Include: measured at fair value	24,346,435.77		24,346,435.77	25,116,517.68		25,116,517.68
Measured at cost	467,971,671.53	1,727,805.00	466,243,866.53	469,659,727.02	1,727,805.00	467,931,922.02
Others						
Total	492,318,107.30	1,727,805.00	490,590,302.30	494,776,244.70	1,727,805.00	493,048,439.70

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

(Continued)

Item	31 December 2014			31 December 2013		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Available-for-Sale debt instruments						
Available-for-sale equity instrument	494,082,687.75	1,727,805.00	492,354,882.75	481,368,634.51	1,727,805.00	479,640,829.51
Include: measured at fair value	28,907,690.16		28,907,690.16	15,778,705.04		15,778,705.04
Measured at cost	465,174,997.59	1,727,805.00	463,447,192.59	465,589,929.47	1,727,805.00	463,862,124.47
Others						
Total	494,082,687.75	1,727,805.00	492,354,882.75	481,368,634.51	1,727,805.00	479,640,829.51

*Note:* according to *Letters about Suspending Heating Project of Waste Incineration in Jingjiang* issued by Administrative Committee of Jingjiang Development Area on 12 October 2011, in Jiangsu province, Jingjiang Government decided to suspend this project. The reason was that chemical concentration area couldn't be approved in time, leading to synchronize two projects of constriction unsuccessfully. These two projects were stream user construction that the heating project of waste incineration need and heating project of waste incineration. Jingjiang San Feng Heating of Renewable Energy Co. Ltd. would cancel its registration and return surplus capital to shareholder in line with shareholding ratio. SanFeng Environment received refund of RMB3,312,195.00 yuan, calculated the depreciation reserves is RMB1,727,805.00 yuan. The amount of depreciation reserves came from balances between the book value and the investment refund.

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

(2) *Available-for-sale financial assets measured at cost as at the end of the period*

Investee	Book balance			
	Beginning of year	Increase for the period	Decrease for the period	End of period
Chongqing Tongxing Medical Treatment Waste Disposal Co., Ltd.	1,000,000.00		1,000,000.00	-
Jingjiang San Feng Renewable Heating Co., Ltd.	5,040,000.00			5,040,000.00
Chongqing Sino-French Water Supply Co., Ltd	15,891,740.62			15,891,740.62
An'cheng Property Insurance Co., Ltd.	220,500,000.00			220,500,000.00
China galaxy securities Co., Ltd.	1,945,423.00			1,945,423.00
Chongqing Rural Commercial Bank shares Co., Ltd.	200,000,000.00			200,000,000.00
Chongqing Jidihao Purified Water Product Co., Ltd.	218,000.00			218,000.00
Chongqing Intelligent Water Meter LLC	750,000.00			750,000.00
Chongqing Secondary Water Supply LLC	2,666,667.00			2,666,667.00
Sichuan Jinyi Tubes Co., Ltd.	19,200,000.00			19,200,000.00
Chongqing Public Utility Properties Co., Ltd.	1,759,840.91			1,759,840.91
Chongqing Metal Material Co., Ltd.	20,000.00		20,000.00	
Chongqing Yushui Environmental Protection Co., Ltd.	668,055.49		668,055.49	
<b>Total</b>	<b>469,659,727.02</b>		<b>1,688,055.49</b>	<b>467,971,671.53</b>

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

(Continued)

Investee	Provision for impairment				Share proportion of the investee (%)	Cash dividends for the period
	Beginning of year	Increase for the period	Decrease for the period	End of period		
Chongqing Tong Xing Medical Treatment Waste Disposal Co., Ltd.				-		
Jingjiang San Feng Renewable Heating Co., Ltd.	1,727,805.00			1,727,805.00	70	
Chongqing Sino-French Water Supply Co., Ltd.					2.00	1,386,000.00
An'cheng Property Insurance Co., Ltd.					5.15	
China Glaxy Securities Co., Ltd.					0.03	638,464.48
Chongqing Rural Commercial Bank Co., Ltd.					1.34	25,000,000.00
Chongqing Jidihao Purified Water Product Co., Ltd.					12.50	
Chongqing Intelligent Water Meter LLC					15.00	4,436,009.11
Chongqing Secondary Water Supply LLC					13.33	
Sichuan Jinyi Tubes Co., Ltd.					15.00	
Chongqing Public Utility Properties Co., Ltd.					5.83	
Total	1,727,805.00	-	-	1,727,805.00	-	31,460,473.59

**(3) Available-for-sale financial assets measured at fair value end of period**

Categories of Available-for-sale Financial Assets	Available-for-sale equity instrument	Available-for-sale Debt instruments	Total
Cost of equity instruments/Debt Instruments amortized cost	10,501,120.40		10,501,120.40
Fair value	24,346,435.77		24,346,435.77
Amounts change of fair value cumulatively included in other comprehensive income	13,845,315.37		13,845,315.37
Accounted amount of impairment			

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

### 13. Held-to-maturity investment

#### (1) Situation of held-to-maturity investment

Item	31 December 2014			31 December 2013		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Entrusted loan	850,000,000.00		850,000,000.00	670,000,000.00		670,000,000.00
Total	850,000,000.00		850,000,000.00	670,000,000.00		670,000,000.00

### 14. Long-term receivables

#### (1) Situation of long-term receivables

Item	30 November 2016			31 December 2015		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Installment provides services	308,811,700.70	928,864.57	307,882,836.13	226,251,894.65	740,244.18	225,511,650.47
Borrowing transactions between	120,000,000.00		120,000,000.00	120,000,000.00		120,000,000.00
Compensation	33,005,878.18		33,005,878.18	47,942,415.16		47,942,415.16
Others	117,000,000.00		117,000,000.00	117,000,000.00		117,000,000.00
Total	578,817,578.88	928,864.57	577,888,714.31	511,194,309.81	740,244.18	510,454,065.63

(Continued)

Item	31 December 2014			31 December 2013		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Installment provides services	171,470,108.04	553,203.08	170,916,904.96	338,491,227.80	1,015,473.69	337,475,754.11
Borrowing transactions between						
Compensation	25,342,248.78		25,342,248.78			
Others	125,533,333.33		125,533,333.33	134,200,000.00		134,200,000.00
Total	322,345,690.15	553,203.08	321,792,487.07	472,691,227.80	1,015,473.69	471,675,754.11



## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

### 15. Long-term equity investments

Investee	31 December 2015	Current period changes				
		Investment addition	Investment reduction	Profit/loss of investment recognized under equity method	Adjustment of other comprehensive income	Changes in other equity
I. Cooperative enterprise						
Chongqing Sino-French Water Investment Co., Ltd. (Water)	973,038,059.43			53,747,661.03		
Chongqing Sino-French Environmental Research and Development Center Co., Ltd. (Water)	2,181,018.19			-431,909.12		
Baiyin San Feng Wenchuang Environmental Protection Power Generation Co., Ltd.	30,000,000.00					
Shaoxing Renewable Energy Development Co., Ltd. (San Feng)		122,500,000.00				
Subtotal	1,005,219,077.62	122,500,000.00		53,315,751.91		
II. Joint venture						
Chongqing Dongyu Water Supply Co., Ltd. (Water)	20,143,715.20			2,247,345.83		
Chongqing Jiangdong Water Co., Ltd. (Water)	391,354.09			50,496.67		
Huangsheng Group Chongqing Tubes Co., Ltd. (Water)	2,244,905.94			-861,041.61		
Chongqing Caitong Water Co., Ltd. (Water)	3,129,737.72			84,433.54		
Chongqing DeRun Xinbang Environmental Restoration Co., Ltd	4,399,320.26			-347,896.24		
Zhongyu (Chongqing) Development of Environmental industry Co., Ltd.		3,500,000.00		-46,539.8		
Taixing HengRui heating management Co., Ltd.		7,873,616.46		238,035.80		
Subtotal	30,309,033.21	11,373,616.46		1,364,834.19		
Total	1,035,528,110.83	133,873,616.46		54,680,586.10		

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

(Continued)

Investee	Current period changes			30 November 2016	Impairment provision of closing balances
	Distribution of cash dividends or profit declared	Provision for impairment	Others		
I. Cooperative enterprise					
Chongqing Sino-French Water Investment Co., Ltd. (Water)				1,026,785,720.46	
Chongqing Sino-French Environmental Research and Development Center Co., Ltd. (Water)				1,749,109.07	
Baiyin San Feng Wenchuang Environmental Protection Power Generation Co., Ltd.				30,000,000.00	
Shaoxing Renewable Energy Development Co., Ltd. (San Feng)				122,500,000.00	
Subtotal				1,181,034,829.53	
II. Joint venture					
Chongqing Dongyu Water Supply Co., Ltd. (Water)	-2,000,000.00			20,391,061.03	
Chongqing Jiangdong Water Co., Ltd. (Water)				441,850.76	
Huangsheng Group Chongqing Tubes Co., Ltd. (Water)				1,383,864.33	
Chongqing Caitong Water Co., Ltd. (Water)				3,214,171.26	
Chongqing DeRun Xinbang Environmental Restoration Co., Ltd.				4,051,424.02	
Zhongyu (Chongqing) Development of Environmental industry Co., Ltd.				3,453,460.20	
Taixing HengRui Heating Management Co., Ltd.				8,111,652.26	
Subtotal	-2,000,000.00			41,047,483.86	
Total	-2,000,000.00			1,222,082,313.39	

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

(Continued)

Investee	31 December 2014	Current period changes				
		Investment addition	Investment reduction	Profit/loss of investment recognized under equity method	Adjustment of other comprehensive income	Changes in other equity
I. Cooperative enterprise						
Chongqing Sino-French Water Investment Co., Ltd. (Water)	950,740,942.05			82,297,117.38		
Chongqing Sino-French Environmental Research and Development Center Co., Ltd. (Water)	2,258,880.99			-77,862.80		
Baiyin San Feng Wenchuang Environmental Protection Power Generation Co., Ltd.	30,000,000.00					
Subtotal	982,999,823.04			82,219,254.58		
II. Joint venture						
Chongqing Dongyu Water Supply Co., Ltd. (Water)	19,727,606.94			2,416,108.26		
Chongqing Jiangdong Water Co., Ltd. (Water)	338,802.91			52,551.18		
Huangsheng Group Chongqing Tubes Co., Ltd. (Water)	3,534,185.79			-1,289,279.85		
Chongqing Caitong Water Co., Ltd. (Water)	3,090,566.39			39,171.33		
Chongqing DeRun Xinbang Environmental Restoration Co., Ltd		4,500,000.00		-100,679.74		
Subtotal	26,691,162.03	4,500,000.00		1,117,871.18		
Total	1,009,690,985.07	4,500,000.00		83,337,125.76		

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

(Continued)

Investee	Current period changes			31 December 2015	Impairment provision of closing balances
	Distribution of cash dividends or profit declared	Provision for impairment	Others		
I. Cooperative enterprise					
Chongqing Sino-French Water Investment Co., Ltd. (Water)	-60,000,000.00			973,038,059.43	
Chongqing Sino-French Environmental Research and Development Center Co., Ltd. (Water)				2,181,018.19	
Baiyin San Feng Wenchuang Environmental Protection Power Generation Co., Ltd				30,000,000.00	
Subtotal	-60,000,000.00			1,005,219,077.62	
II. Joint venture					
Chongqing Dongyu Water Supply Co., Ltd. (Water)	-2,000,000.00			20,143,715.20	
Chongqing Jiangdong Water Co., Ltd. (Water)				391,354.09	
Huangsheng Group Chongqing Tubes Co., Ltd. (Water)				2,244,905.94	
Chongqing Caitong Water Co., Ltd. (Water)				3,129,737.72	
Chongqing DeRun Xinbang Environmental Restoration Co., Ltd. Environment)				4,399,320.26	
Subtotal	-2,000,000.00			30,309,033.21	
Total	-62,000,000.00			1,035,528,110.83	

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

(Continued)

Investee	31 December 2013	Current period changes				
		Investment addition	Investment reduction	Profit/loss of investment recognized under equity method	Adjustment of other comprehensive income	Changes in other equity
I. Cooperative enterprise						
Chongqing Sino-French Water Investment Co., Ltd. (Water)	907,177,945.01			54,566,048.94		
Chongqing Sino-French Environmental Research and Development Center Co., Ltd. (Water)		2,250,000.00		8,880.99		
Baiyin San Feng Wenchuang Environmental Protection Power Generation Co., Ltd	30,000,000.00					
Subtotal	937,177,945.01	2,250,000.00		54,574,929.93		
II. Joint venture						
Chongqing Dongyu Water Supply Co., Ltd. (Water)	18,901,769.44			2,825,837.50		
Chongqing Jiangdong Water Co., Ltd. (Water)	316,740.49			22,062.42		
Huangsheng Group Chongqing Tubes Co., Ltd. (Water)	4,300,157.92			-765,972.13		
Chongqing Caitong Water Co., Ltd. (Water)		3,000,000.00		90,566.39		
Subtotal	23,518,667.85	3,000,000.00		2,172,494.18		
Total	960,696,612.86	5,250,000.00		56,747,424.11		

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

(Continued)

Investee	Current period changes			31 December 2014	Depreciation reserves closing balances
	Distribution of cash dividends or profit declared	Provision for impairment	Others		
I. Cooperative enterprise					
Chongqing Sino-French Water Investment Co., Ltd. (Water)	-11,003,051.90			950,740,942.05	
Chongqing Sino-French Environmental Research and Development Center Co., Ltd. (Water)				2,258,880.99	
Baiyin San Feng Wenchuang Environmental Protection Power Generation Co., Ltd.				30,000,000.00	
Subtotal	-11,003,051.90			982,999,823.04	
II. Joint venture					
Chongqing Dongyu Water Supply Co., Ltd. (Water)	-2,000,000.00			19,727,606.94	
Chongqing Jiangdong Water Co., Ltd. (Water)				338,802.91	
Huangsheng Group Chongqing Tubes Co., Ltd. (Water)				3,534,185.79	
Chongqing Caitong Water Co., Ltd. (Water)				3,090,566.39	
Subtotal	-2,000,000.00			26,691,162.03	
Total	-13,003,051.90			1,009,690,985.07	

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

(Continued)

Investee	31 December 2012	Current period changes				
		Investment addition	Investment reduction	Profit/loss of investment recognized under equity method	Adjustment of other comprehensive income	Changes in other equity
I. Cooperative enterprise						
Chongqing Sino-French Water Investment Co., Ltd. (Water)	861,673,315.29			45,504,629.72		
Baiyin San Feng Wenchuang Environmental Protection Power Generation Co., Ltd.		30,000,000.00				
Subtotal	861,673,315.29	30,000,000.00		45,504,629.72		
II. Joint venture						
Chongqing Dongyu Water Supply Co., Ltd. (Water)	17,873,852.65			1,027,916.79		
Huangsheng Group Chongqing Tubes Co., Ltd. (Water)		4,300,157.92				
Chongqing Jiangdong Water Co., Ltd.	300,000.00			16,740.49		
Subtotal	18,173,852.65	4,300,157.92		1,044,657.28		
Total	879,847,167.94	34,300,157.92		46,549,287.00		

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

(Continued)

Investee	Current period changes			31 December 2013	Depreciation reserve sending balance
	Distribution of cash dividends or profit declared	Provision for impairment	Others		
I. Cooperative enterprise					
Chongqing Sino-French Water Investment Co., Ltd. (Water)				907,177,945.01	
Baiyin San Feng Wenchuang Environmental Protection Power Generation Co., Ltd.				30,000,000.00	
Subtotal				937,177,945.01	
II. Joint venture					
Chongqing Dongyu Water Supply Co., Ltd. (Water)				18,901,769.44	
Huangsheng Group Chongqing Tubes Co., Ltd. (Water)				4,300,157.92	
Chongqing Jiangdong Water Co., Ltd.				316,740.49	
Subtotal				23,518,667.85	
Total				960,696,612.86	



## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

### 16. Investment properties

#### (1) Investment properties measured at cost

Item	Housing and building structure	Land-use right	Construction in progress	Total
I. Original book value				
1. Balance on 31 December 2015	78,862,902.81	115,961,118.74		194,824,021.55
2. Increased amount in current period	4,022,001.38			4,022,001.38
(1) Outsourcing				
(2) Inventories\fixed assets\Diversion of construction v in progress	3,609,943.78			3,609,943.78
(3) Mergers increase				
(4) Others	412,057.60			412,057.60
3. Decreased amount in current period	9,742,373.07			9,742,373.07
(1) Disposal				
(2) Other transfer out	9,742,373.07			9,742,373.07
4. Balance on 30 November 2016	73,142,531.12	115,961,118.74		189,103,649.86
II. Accumulated depreciation and accumulated amortization				
1. Balance on 31 December 2015	28,728,591.52	23,511,538.37		52,240,129.89
2. Increased amount in current period	2,562,023.22	2,228,578.28		4,790,601.50
(1) Provision or amortization	2,562,023.22	2,228,578.28		4,790,601.50
3. Decreased amount in current period	1,755,018.72			1,755,018.72
(1) Disposal				
(2) Other transfer out	1,755,018.72			1,755,018.72
4. Balance on 30 November 2016	29,535,596.02	25,740,116.65		55,275,712.67
III. Depreciation reserves				
1. Balance on 31 December 2015				
2. Increased amount in current period				
(1) Provision				
3. Decreased amount in current period				
(1) Disposal				
(2) Other transfer out				
4. Balance on 30 November 2016				
IV. Book value				
1. Book value on 30 November 2016	43,606,935.10	90,221,002.09		133,827,937.19
2. Book value on 31 December 2015	50,134,311.29	92,449,580.37		142,583,891.66

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

(Continued)

Item	Houses and building	Land-use right	Construction in progress	Total
I. Original booked value				
1. Balance on 31 December 2014	78,862,902.81	115,961,118.74		194,824,021.55
2. Increased amount in current period				
(1) Outsourcing				
(2) Inventories\fixed assets\Diversion of construction v in progress				
(3) Mergers Increase				
3. Decreased amount in current period				
(1) Disposal				
(2) Other transfer out				
4. Balance on 31 December 2015	78,862,902.81	115,961,118.74		194,824,021.55
II. Accumulated depreciation and accumulated amortization				
1. Balance on 31 December 2014	26,402,536.24	21,124,449.17		47,526,985.41
2. Increased amount in current period	2,326,055.28	2,387,089.20		4,713,144.48
(1) Provision or amortization	2,326,055.28	2,387,089.20		4,713,144.48
3. Decreased amount in current period				
(1) Disposal				
(2) Other transfer out				
4. Balance on 31 December 2015	28,728,591.52	23,511,538.37		52,240,129.89
III. Depreciation reserves				
1. Balance on 31 December 2014				
2. Increased amount in current period				
(1) Provision				
3. Decreased amount in current period				
(1) Disposal				
(2) Other transfer out				
4. Balance on 31 December 2015				
IV. Book value				
1. Book value on 31 December 2015	50,134,311.29	92,449,580.37		142,583,891.66
2. Book value on 31 December 2014	52,460,366.57	94,836,669.57		147,297,036.14

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

(Continued)

Item	Houses and building	Land-use right	Construction in progress	Total
I. Original booked value				
1. Balances on 31 December 2013	78,803,171.91	115,961,118.74		194,764,290.65
2. Increased amount in current period	720,853.66			720,853.66
(1) Outsourcing				
(2) Inventories\fixed assets\Diversion of construction v in progress	720,853.66			720,853.66
(3) Mergers Increase				
3. Decreased amount in current period	661,122.76			661,122.76
(1) Disposal				
(2) Other transfer out	661,122.76			661,122.76
4. Balance on 31 December 2014	78,862,902.81	115,961,118.74		194,824,021.55
II. Accumulated depreciation and accumulated amortization				
1. Balances on 31 December 2013	24,116,229.86	18,737,359.98		42,853,589.84
2. Increased amount in current period	2,286,306.38	2,387,089.19		4,673,395.57
(1) Provision or amortization	2,286,306.38	2,387,089.19		4,673,395.57
3. Decreased amount in current period				
(1) Disposal				
(2) Other transfer out				
4. Balance on 31 December 2014	26,402,536.24	21,124,449.17		47,526,985.41
III. Depreciation reserves				
1. Balances on 31 December 2013				
2. Increased amount in current period				
(1) Provision				
3. Decreased amount in current period				
(1) Disposal				
(2) Other transfer out				
4. Balance on 31 December 2014				
IV. Book value				
1. Book value on 31 December 2014	52,460,366.57	94,836,669.57		147,297,036.14
2. Book value on 31 December 2013	54,686,942.05	97,223,758.76		151,910,700.81

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

(Continued)

Item	Houses and building	Land-use right	Construction in progress	Total
<b>I. Original booked value</b>				
1. Balance on 31 December 2012	30,349,592.15	103,642,111.08		133,991,703.23
2. Increased amount in current period	48,453,579.76	12,319,007.66		60,772,587.42
(1) Outsourcing				
(2) Inventories\fixed assets\Diversion of construction v in progress	48,453,579.76	12,319,007.66		60,772,587.42
(3) Mergers Increase				
3. Decreased amount in current period				
(1) Disposal				
(2) Other transfer out				
4. Balances on 31 December 2013	78,803,171.91	115,961,118.74		194,764,290.65
<b>II. Accumulated depreciation and accumulated amortization</b>				
1. Balance on 31 December 2012	5,981,118.34	14,598,094.69		20,579,213.03
2. Increased amount in current period	18,135,111.52	4,139,265.29		22,274,376.81
(1) Provision or amortization	18,135,111.52	4,139,265.29		22,274,376.81
3. Decreased amount in current period				
(1) Disposal				
(2) Other transfer out				
4. Balances on 31 December 2013	24,116,229.86	18,737,359.98		42,853,589.84
<b>III. Depreciation reserves</b>				
1. Balance on 31 December 2012				
2. Increased amount in current period				
(1) Provision				
3. Decreased amount in current period				
(1) Disposal				
(2) Other transfer out				
4. Balances on 31 December 2013				
<b>IV. Book value</b>				
1. Book value on 31 December 2013	54,686,942.05	97,223,758.76		151,910,700.81
2. Book value on 31 December 2012	24,368,473.81	89,044,016.39		113,412,490.20

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

### 17. Fixed assets

#### (1) Particulars of fixed assets

Item	Houses and buildings	Machinery and equipment	Vehicles	Electronic equipment	Office equipment	Pipe network	Others	Total
I. Original book value								
1. Balance on 31 December 2015	3,827,156,449.64	2,087,400,917.16	88,619,928.70	5,466,770.90	5,486,268.02	5,686,955,412.35	114,945,205.64	11,816,030,952.41
2. Increased amount in current period	591,859,392.81	548,278,045.45	8,297,883.53	862,634.71	2,531,104.04	385,371,215.86	11,651,158.27	1,548,851,434.67
(1) Purchase	40,166,161.64	11,233,892.67	5,392,588.99	680,981.91	2,242,729.04	7,675,102.83	1,559,120.40	68,950,577.48
(2) Diversion of construction in progress	377,134,331.85	236,315,089.54	1,140,161.19	-	-	290,076,972.56	4,569,711.42	909,236,266.56
(3) Mergers increase	174,558,899.32	300,729,063.24	1,765,133.35	181,652.80	288,375.00	-	5,522,326.45	483,045,450.16
(4) Others	-	-	-	-	-	87,619,140.47	-	87,619,140.47
3. Decreased amount in current period	11,787,786.39	55,413,766.89	7,186,677.11	-	-	2,824,585.56	887,442.57	78,100,258.52
(1) Handle or scrap	5,343,494.54	53,081,928.57	7,186,677.11	-	-	-	470,580.79	66,082,681.01
(2) Others	6,444,291.85	2,331,838.32	-	-	-	2,824,585.56	397,997.78	11,998,713.51
4. Balance on 30 November 2016	4,407,228,056.06	2,580,265,195.72	89,731,135.12	6,329,405.61	8,017,372.06	6,069,502,042.65	125,708,921.34	13,286,782,128.56
II. Accumulative Depreciation								
1. Balance on 31 December 2015	1,306,719,469.24	1,157,774,830.78	55,890,988.73	3,198,016.77	3,252,506.25	2,353,229,563.72	32,879,684.02	4,912,945,059.51
2. Increased amount in current period	178,572,382.17	231,300,243.90	10,007,340.47	832,213.31	885,052.32	278,238,555.53	13,598,093.93	713,433,881.63
(1) Provision	131,411,176.97	144,136,971.33	8,702,662.75	832,213.31	755,988.05	276,020,176.16	8,049,766.75	569,908,955.32
(2) Others	47,161,205.20	87,163,272.57	1,304,677.72	-	129,064.27	2,218,379.37	5,548,327.18	143,524,926.31
3. Decreased amount in current period	3,303,342.94	14,607,087.10	7,121,067.21	-	-	-	274,569.49	25,306,066.74
(1) Handle or scrap	3,303,342.94	14,104,637.52	7,121,067.21	-	-	-	274,569.49	24,803,617.16
(2) Others	-	502,449.58	-	-	-	-	-	502,449.58
4. Balance on 30 November 2016	1,481,988,508.47	1,374,467,987.58	58,777,261.99	4,030,230.08	4,137,558.57	2,631,468,119.25	46,203,208.46	5,601,072,874.40
III. Depreciation reserves								
1. Balance on 31 December 2015	32,560,884.74	5,938,685.88	-	-	-	1,667,827.60	388,550.34	40,555,948.56
2. Increased amount in current period	47,222,174.59	69,903,585.71	-	-	-	3,700,268.92	-	120,826,029.22
(1) Provision	1,582,003.45	723,306.03	-	-	-	3,700,268.92	-	6,005,578.40
(2) Others	45,640,171.14	69,180,279.68	-	-	-	-	-	114,820,450.82
3. Decreased amount in current period	819,136.32	425,793.60	-	-	-	-	-	1,244,929.92
(1) Handle or scrap	819,136.32	425,793.60	-	-	-	-	-	1,244,929.92
4. Balance on 30 November 2016	78,963,923.01	75,416,477.99	-	-	-	5,368,096.52	388,550.34	160,137,047.86
IV. Book value								
1. Book value on 30 November 2016	2,846,275,624.58	1,130,380,730.15	30,953,873.13	2,299,175.53	3,879,813.49	3,432,665,826.88	79,117,162.54	7,525,572,206.30
2. Book value on 31 December 2015	2,487,876,095.66	923,687,400.50	32,728,939.97	2,268,754.13	2,233,761.77	3,332,058,021.03	81,676,971.28	6,862,529,944.34

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

(Continued)

Item	Houses and buildings	Machinery and equipment	Vehicles	Electronic equipment	Office equipment	Pipe network	Others	Total
I. Original book value								
1. Balance on 31 December 2014	3,771,909,532.42	2,007,252,945.90	96,111,307.54	4,937,857.01	4,618,698.80	5,501,624,891.06	113,961,950.13	11,500,417,182.86
2. Increased amount in current period	60,143,772.02	115,746,551.81	7,777,932.11	655,348.35	867,569.22	203,081,276.87	2,245,324.25	390,517,774.63
(1) Purchase	20,266,194.17	71,369,415.07	6,308,731.24	655,348.35	867,569.22	88,120,875.71		187,588,133.76
(2) Diversion of construction in progress	39,877,577.85	44,377,136.74	1,469,200.87			114,960,401.16	2,245,324.25	202,929,640.87
(3) Increase by merger								0.00
3. Decreased amount in current period	4,896,854.80	35,598,580.55	15,269,310.95	126,434.46		17,750,755.58	1,262,068.74	74,904,005.08
(1) Handle or scrap	4,896,854.80	35,598,580.55	15,269,310.95	126,434.46		17,750,755.58	1,262,068.74	74,904,005.08
4. Balance on 31 December 2015	3,827,156,449.64	2,087,400,917.16	88,619,928.70	5,466,770.90	5,486,268.02	5,686,955,412.35	114,945,205.64	11,816,030,952.41
II. Accumulative Depreciation								
1. Balance on 31 December 2014	1,176,942,442.32	1,034,748,435.52	59,616,388.53	2,454,071.47	2,569,072.64	2,079,045,342.37	31,339,586.74	4,386,715,339.59
2. Increased amount in current period	134,150,378.13	150,384,272.62	9,342,589.39	812,346.92	683,433.61	287,897,205.58	2,660,170.09	585,930,396.34
(1) Provision	134,150,378.13	150,384,272.62	9,342,589.39	812,346.92	683,433.61	287,897,205.58	2,660,170.09	585,930,396.34
3. Decreased amount in current period	4,373,351.21	27,357,877.36	13,067,989.19	68,401.62		13,712,984.23	1,120,072.81	59,700,676.42
(1) Handle or scrap	4,373,351.21	27,357,877.36	13,067,989.19	68,401.62		13,712,984.23	1,120,072.81	59,700,676.42
4. Balance on 31 December 2015	1,306,719,469.24	1,157,774,830.78	55,890,988.73	3,198,016.77	3,252,506.25	2,353,229,563.72	32,879,684.02	4,912,945,059.51
III. Depreciation reserves								
1. Balance on 31 December 2014	1,221,898.26	1,242,079.59				881,959.63	2,157.55	3,348,095.03
2. Increased amount in current period	31,338,986.48	4,696,606.29				785,867.97	386,392.79	37,207,853.53
(1) Provision	31,338,986.48	4,696,606.29				785,867.97	386,392.79	37,207,853.53
3. Decreased amount in current period								
(1) Handle or scrap								
4. Balance on 31 December 2015	32,560,884.74	5,938,685.88				1,667,827.60	388,550.34	40,555,948.56
IV. Book value								
1. Book value on 31 December 2015	2,487,876,095.66	923,687,400.50	32,728,939.97	2,268,754.13	2,233,761.77	3,332,058,021.03	81,676,971.28	6,862,529,944.34
2. Book value on 31 December 2014	2,593,745,191.84	971,262,430.79	36,494,919.01	2,483,785.54	2,049,626.16	3,421,697,589.06	82,620,205.84	7,110,353,748.24

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

(Continued)

Item	Houses and buildings	Machinery and equipment	Vehicles	Electronic equipment	Office equipment	Pipe network	Others	Total
I. Original booked value								
1. Balances on 31 December 2013	3,632,881,406.25	1,915,434,121.35	92,179,152.27	3,777,938.50	3,569,418.05	5,267,281,395.50	107,628,086.85	11,022,751,518.77
2. Increased amount in current period	186,252,428.54	142,362,555.19	10,236,705.46	1,174,818.51	1,049,280.75	243,796,370.15	6,847,214.28	591,719,372.88
(1) Purchase	48,679,056.55	51,976,907.01	8,604,604.10	1,174,818.51	1,049,280.75	22,235,628.45	4,562,647.84	138,282,943.21
(2) Diversion of construction in progress	136,912,249.23	89,805,725.20	1,455,672.36			211,993,410.59	2,284,566.44	442,451,623.82
(3) Increase by merger								
Others	661,122.76	579,922.98	176,429.00			9,567,331.11		10,984,805.85
3. Decreased amount in current period	47,224,302.37	50,543,730.64	6,304,550.19	14,900.00		9,452,874.59	513,351.00	114,053,708.79
(1) Handle or scrap	47,224,302.37	50,543,730.64	6,304,550.19	14,900.00		9,452,874.59	513,351.00	114,053,708.79
4. Balance on 31 December 2014	3,771,909,532.42	2,007,252,945.90	96,111,307.54	4,937,857.01	4,618,698.80	5,501,624,891.06	113,961,950.13	11,500,417,182.86
II. Accumulative Depreciation								
1. Balances on 31 December 2013	1,047,730,555.94	916,037,443.81	56,739,874.53	1,729,861.92	1,650,725.33	1,811,177,753.62	23,959,167.64	3,859,025,382.79
2. Increased amount in current period	133,695,290.98	156,198,362.30	8,977,538.68	736,686.55	918,347.31	274,814,251.11	7,854,043.27	583,194,520.20
(1) Provision	133,695,290.98	156,198,362.30	8,977,538.68	736,686.55	918,347.31	274,814,251.11	7,854,043.27	583,194,520.20
3. Decreased amount in current period	4,483,404.60	37,487,370.59	6,101,024.68	12,477.00		6,946,662.36	473,624.17	55,504,563.40
(1) Handle or scrap	4,483,404.60	37,487,370.59	6,101,024.68	12,477.00		6,946,662.36	473,624.17	55,504,563.40
4. Balance on 31 December 2014	1,176,942,442.32	1,034,748,435.52	59,616,388.53	2,454,071.47	2,569,072.64	2,079,045,342.37	31,339,586.74	4,386,715,339.59
III. Depreciation reserves								
1. Balance on 31 December 2013	1,221,898.26	1,242,079.59				881,959.63	2,157.55	3,348,095.03
2. Increased amount in current period								
(1) Provision								
3. Decreased amount in current period								
(1) Handle or scrap								
4. Balance on 31 December 2014	1,221,898.26	1,242,079.59				881,959.63	2,157.55	3,348,095.03
IV. Book value								
1. Book value on 31 December 2014	2,593,745,191.84	971,262,430.79	36,494,919.01	2,483,785.54	2,049,626.16	3,421,697,589.06	82,620,205.84	7,110,353,748.24
2. Book value on 31 December 2013	2,583,928,952.05	998,154,597.95	35,439,277.74	2,048,076.58	1,918,692.72	3,455,221,682.25	83,666,761.66	7,160,378,040.95

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

(Continued)

Item	Houses and buildings	Machinery and equipment	Vehicles	Electronic equipment	Office equipment	Pipe network	Others	Total
I. Original book value								
1. Balance on 31 December 2012	3,321,944,887.84	1,639,743,005.19	89,592,328.41	2,788,346.07	4,483,427.56	5,036,521,918.78	55,258,286.52	10,150,332,200.37
2. Increased amount in current period	369,694,847.12	306,010,357.03	9,475,701.43	1,092,883.23	615,569.55	250,142,666.11	55,121,301.64	992,153,326.11
(1) Purchase	955,673.16	1,139,156.35	3,379,211.83	1,092,883.23	615,569.55			7,182,494.12
(2) Diversion of construction in progress	3,339,967.75	618,625.98						3,958,593.73
(3) Increase by merger								
Others	365,399,206.21	304,252,574.70	6,096,489.60			250,142,666.11	55,121,301.64	981,012,238.26
3. Decreased amount in current period	58,758,328.71	30,319,240.87	6,888,877.57	103,290.80	1,529,579.06	19,383,189.39	2,751,501.31	119,734,007.71
(1) Handle or scrap	58,758,328.71	30,319,240.87	6,888,877.57	103,290.80	1,529,579.06	19,383,189.39	2,751,501.31	119,734,007.71
4. Balance on 31 December 2013	3,632,881,406.25	1,915,434,121.35	92,179,152.27	3,777,938.50	3,569,418.05	5,267,281,395.50	107,628,086.85	11,022,751,518.77
II. Accumulative Depreciation								
1. Balance on 31 December 2012	930,911,937.88	795,100,251.95	52,579,650.36	1,222,994.90	1,309,040.18	1,581,133,196.38	18,114,032.33	3,380,371,103.98
2. Increased amount in current period	136,126,790.95	146,237,680.77	10,545,271.38	601,120.96	966,060.78	239,256,363.70	8,334,995.39	542,068,283.93
(1) Provision	136,126,790.95	146,237,680.77	10,545,271.38	601,120.96	966,060.78	239,256,363.70	8,334,995.39	542,068,283.93
3. Decreased amount in current period	19,308,172.89	25,300,488.91	6,385,047.21	94,253.94	624,375.63	9,211,806.46	2,489,860.08	63,414,005.12
(1) Handle or scrap	19,308,172.89	25,300,488.91	6,385,047.21	94,253.94	624,375.63	9,211,806.46	2,489,860.08	63,414,005.12
4. Balance on 31 December 2013	1,047,730,555.94	916,037,443.81	56,739,874.53	1,729,861.92	1,650,725.33	1,811,177,753.62	23,959,167.64	3,859,025,382.79
III. Depreciation reserves								
1. Balance on 31 December 2012	1,221,898.26	1,242,079.59				881,959.63	2,157.55	3,348,095.03
2. Increased amount in current period								
(1) Provision								
3. Decreased amount in current period								
(1) Handle or scrap								
4. Balances on 31 December 2013	1,221,898.26	1,242,079.59				881,959.63	2,157.55	3,348,095.03
IV. Book value								
1. Book value on 31 December 2013	2,583,928,952.05	998,154,597.95	35,439,277.74	2,048,076.58	1,918,692.72	3,455,221,682.25	83,666,761.66	7,160,378,040.95
2. Book value balance on 31 December 2012	2,389,811,051.70	843,400,673.65	37,012,678.05	1,565,351.17	3,174,387.38	3,454,506,762.77	37,142,096.64	6,766,613,001.36



## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

### 18. Construction in progress

#### (1) Particulars of construction in progress

Item	30 November 2016			31 December 2015		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Construction in Progress	2,958,134,057.78		2,958,134,057.78	3,235,824,530.67		3,235,824,530.67
Total	2,958,134,057.78		2,958,134,057.78	3,235,824,530.67		3,235,824,530.67

(Continued)

Item	31 December 2014			31 December 2013		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Construction in Progress	2,324,108,667.99		2,324,108,667.99	1,486,957,759.92		1,486,957,759.92
Total	2,324,108,667.99		2,324,108,667.99	1,486,957,759.92		1,486,957,759.92

#### (2) Changes in material construction in progress projects for the period

Project Name	Budget	Opening balance	Increase for the period	Transfer to fixed asset for the period	Other deductions for the period	Closing balances
Wanzhou District garbage power incinerator Project	446,590,000.28	425,814,621.17	22,471,788.93	448,286,410.10		-
Small-medium size leachate Advanced Treatment System Integrated Model	2,980,000.00	189,788.50	3,181,294.32			3,371,082.82
Garbage power incinerator project in Pingli venous industry park, Nanning	956,440,000.00	709,559,916.17	39,131,647.95			748,691,564.12
Garbage power incinerator project in Changshou, Fuling, Chongqing	729,790,000.00	66,710,077.66	169,305,476.44			236,015,554.10
San Feng garbage Processing Project in Orchard Fruits	2,425,220,000.00	262,129,493.66	713,837,936.51			975,967,430.17
Garbage power incinerator project in Anshan		4,480,882.24	2,580,065.24			7,060,947.48
Garbage power incinerator project in Korla	111,662,300.00	36,722.00	7,446,285.67			7,483,007.67
Garbage power incinerator project-San Feng Environmental energy Co., Ltd. In Meizhou	432,380,000.00	7,053,417.47	70,508,669.59			77,562,087.06
Total	5,105,062,300.28	1,475,974,918.87	1,028,463,164.65	448,286,410.10	-	2,056,151,673.42

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

(Continued)

Project Name	Accumulated investment to budget (%)	Construction in progress	Accumulated capitalised interest	Include: capitalised interest amount for the period	Capitalisation rate of the interest amount for the period (%)	Sources of funds
Wanzhou District garbage power incinerator Project	100.38	100.00	4,647,652.17			
Small-medium size leachate Advanced Treatment System Integrated Model	1.13	0.83				Self-financing
Garbage power incinerator project in Pingli venous industry park, Nanning	78.28	100.00	18,452,933.50	13,824,224.68	4.67	Self-financing, bank loan
Garbage power incinerator project in Chang Shou, Fuling, Chongqing	32.34	46.99				Self-financing
San Feng garbage Processing Project in Orchard Fruits	0.4	0.4	6,535,442.59	5,558,710.69		
Garbage power incinerator project in Anshan	1.12	1.12				Self-financing
Garbage power incinerator project in Korla	6.71	6.71				Self-financing
Garbage power incinerator project-San Feng Environmental energy Co., Ltd. In Mei Zhou	17.94	17.94				
<b>Total</b>			29,636,028.26	19,382,935.37		

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**APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT**

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**19. Construction materials**

<b>Item</b>	<b>30 November 2016</b>	<b>31 December 2015</b>
Special-purpose material	9,960,015.85	9,388,822.19
Special-purpose equipment	4,067,859.27	2,991,182.62
Preparative instruments and implement for fabricate	57,602.10	191,270.00
Spare parts		11,686.07
<b>Total</b>	<b>14,085,477.22</b>	<b>12,582,960.88</b>

(Continued)

<b>Item</b>	<b>31 December 2014</b>	<b>31 December 2013</b>
Special-purpose material	11,798,232.63	12,363,981.68
Special-purpose equipment	2,455,676.96	4,840,043.77
Preparative instruments and implement for fabricate		
Spare parts		
<b>Total</b>	<b>14,253,909.59</b>	<b>17,204,025.45</b>

**20. Fixed assets disposal**

<b>Item</b>	<b>30 November 2016</b>	<b>31 December 2015</b>
Machinery equipment	29,419,582.10	
Transportation Equipment	12,563.74	
Houses and buildings	315,702.86	
<b>Total</b>	<b>29,747,848.70</b>	

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

### 21. Intangible assets

#### *Particulars of intangible assets*

Item	Software	Land-use right	BOT franchise	Trademark right	Others	Total
<b>I. Original book value</b>						
1. Balance on 31 December 2015	26,248,203.61	1,096,488,879.34	2,932,714,720.36	3,702,300.00	26,005,757.19	4,085,159,860.50
2. Increased amount in current period	4,610,010.25	35,518,198.18	1,079,742,179.53			1,119,870,387.96
(1) Purchase	4,610,010.25	17,229,082.07				21,839,092.32
(2) Internal research and development	-	-	-			
(3) Increased by mergers	-	17,715,427.33	135,557,877.55			153,273,304.88
(4) Others	-	573,688.78	944,184,301.98			944,757,990.76
3. Decreased amount in current period	-	-	-	-	-	-
(1) Disposal	-	-	-	-	-	-
4. Balance on 30 November 2016	30,858,213.86	1,132,007,077.52	4,012,456,899.89	3,702,300.00	26,005,757.19	5,205,030,248.46
<b>II. Accumulated amortizations</b>	-	-	-	-	-	-
1. Balance on 31 December 2015	14,366,922.78	190,149,705.15	451,875,440.94	45,150.00	2,256,346.14	658,693,565.01
2. Increased amount in current period	3,620,505.43	32,100,788.40	144,152,533.59	496,650.00	653,152.83	181,023,630.25
(1) Provision	3,620,505.43	19,546,663.07	144,152,533.59	496,650.00	653,152.83	168,469,504.92
(2) Others	-	12,554,125.33	-	-	-	12,554,125.33
3. Decreased amount in current period	-	-	-	-	-	-
(1) Disposal	-	-	-	-	-	-
4. Balance on 30 November 2016	17,987,428.21	222,250,493.55	596,027,974.53	541,800.00	2,909,498.97	839,717,195.26
<b>III. Depreciation reserves</b>	-	-	-	-	-	-
1. Balance on 31 December 2015	-	-	-	-	-	-
2. Increased amount in current period	-	1,879,095.60	-	-	-	1,879,095.60
(1) Provision	-	1,879,095.60	-	-	-	1,879,095.60
3. Decreased amount in current period	-	-	-	-	-	-
(1) Disposal	-	-	-	-	-	-
4. Balance on 30 November 2016	-	1,879,095.60	-	-	-	1,879,095.60
<b>IV. Book value</b>	-	-	-	-	-	-
1. Book value on 30 November 2016	12,870,785.65	907,877,488.37	3,416,428,925.36	3,160,500.00	23,096,258.22	4,363,433,957.60
2. Book value on 31 December 2015	11,881,280.83	906,339,174.19	2,480,839,279.42	3,657,150.00	23,749,411.05	3,426,466,295.49

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

(Continued)

Item	Software	Land-use right	BOT franchise	Trademark	Others	Total
<b>I. Original booked value</b>						
1. Balance on 31 December 2014	23,296,889.80	1,096,721,625.86	2,474,013,818.05		26,005,757.19	3,620,038,090.90
2. Increased amount in current period	3,080,313.81	9,250.89	458,700,902.31	3,702,300.00		465,492,767.01
(1) Purchase	3,080,313.81	9,250.89		3,702,300.00		6,791,864.70
(2) Internal research and development						
(3) Increased by mergers						
(4) Others			458,700,902.31			458,700,902.31
3. Decreased amount in current period	129,000.00	241,997.41				370,997.41
(1) Disposal	129,000.00					129,000.00
Others		241,997.41				241,997.41
4. Balance on 31 December 2015	26,248,203.61	1,096,488,879.34	2,932,714,720.36	3,702,300.00	26,005,757.19	4,085,159,860.50
<b>II. Accumulated amortizations</b>						
1. Balance on 31 December 2014	11,631,743.47	165,616,611.80	339,609,213.89		1,543,815.78	518,401,384.94
2. Increased amount in current period	2,864,179.35	24,587,590.85	112,266,227.05	45,150.00	712,530.36	140,475,677.61
(1) Provision	2,864,179.35	24,587,590.85	112,266,227.05	45,150.00	712,530.36	140,475,677.61
3. Decreased amount in current period	129,000.00	54,497.54				183,497.54
(1) Disposal	129,000.00					129,000.00
(2) Others		54,497.54				54,497.54
4. Balance on 31 December 2015	14,366,922.82	190,149,705.11	451,875,440.94	45,150.00	2,256,346.14	658,693,565.01
<b>III. Depreciation reserves</b>						
1. Balance on 31 December 2014						
2. Increased amount in current period						
(1) Provision						
3. Decreased amount in current period						
(1) Disposal						
4. Balance on 31 December 2015						
<b>IV. Book value</b>						
1. Book value on 31 December 2015	11,881,280.79	906,339,174.23	2,480,839,279.42	3,657,150.00	23,749,411.05	3,426,466,295.49
2. Book value on 31 December 2014	11,665,146.33	931,105,014.06	2,134,404,604.16		24,461,941.41	3,101,636,705.96

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

(Continued)

Item	Software	Land-use right	BOT franchise	Trademark	Others	Total
<b>I. Original booked value</b>						
1. Balances on 31 December 2013	17,989,396.37	1,083,265,391.35	2,270,582,891.65		26,005,757.19	3,397,843,436.56
2. Increased amount in current period	5,357,493.43	13,482,268.00	203,480,011.40			222,319,772.83
(1) Purchase	5,357,493.43	13,482,268.00				18,839,761.43
(2) Internal research and development						
(3) Increased by mergers						
(4) Others			203,480,011.40			203,480,011.40
3. Decreased amount in current period	50,000.00	26,033.49	49,085.00			125,118.49
(1) Disposal	50,000.00	26,033.49	49,085.00			125,118.49
4. Balance on 31 December 2014	23,296,889.80	1,096,721,625.86	2,474,013,818.05	26,005,757.19		3,620,038,090.90
<b>II. Accumulated amortizations</b>						
1. Balances on 31 December 2013	9,418,495.62	139,557,045.97	243,026,865.06		831,285.42	392,833,692.07
2. Increased amount in current period	2,263,247.85	26,085,599.32	96,602,578.49		712,530.36	125,663,956.02
(1) Provision	2,263,247.85	26,085,599.32	96,602,578.49		712,530.36	125,663,956.02
3. Decreased amount in current period	50,000.00	26,033.49	20,229.66			96,263.15
(1) Disposal	50,000.00	26,033.49	20,229.66			96,263.15
4. Balance on 31 December 2014	11,631,743.47	165,616,611.80	339,609,213.89		1,543,815.78	518,401,384.94
<b>III. Depreciation reserves</b>						
1. Balances on 31 December 2013						
2. Increased amount in current period						
(1) Provision						
3. Decreased amount in current period						
(1) Disposal						
4. Balance on 31 December 2014						
<b>IV. Book value</b>						
1. Book value on 31 December 2014	11,665,146.33	931,105,014.06	2,134,404,604.16		24,461,941.41	3,101,636,705.96
2. Book value on 31 December 2013	8,570,900.75	943,708,345.38	2,027,556,026.59		25,174,471.77	3,005,009,744.49

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

(Continued)

Item	Software	Land-use right	BOT franchise	Trademark	Others	Total
<b>I. Original booked value</b>						
1. Balance on 31 December 2012	15,334,703.38	1,073,299,060.23	1,755,873,036.71			2,844,506,800.32
2. Increased amount in current period	2,654,692.99	24,138,598.78	514,709,854.94		26,005,757.19	567,508,903.90
(1) Purchase	2,654,692.99	24,138,598.78				26,793,291.77
(2) Internal research and development						
(3) Increased by mergers						
(4) Others			514,709,854.94		26,005,757.19	540,715,612.13
3. Decreased amount in current period		14,172,267.66				14,172,267.66
(1) Disposal		14,172,267.66				14,172,267.66
4. Balances on 31 December 2013	17,989,396.37	1,083,265,391.35	2,270,582,891.65		26,005,757.19	3,397,843,436.56
<b>II. Accumulated amortizations</b>						
1. Balance on 31 December 2012	7,265,572.53	116,973,389.94	152,254,512.98			276,493,475.45
2. Increased amount in current period	2,152,923.09	24,573,331.27	90,772,352.08		831,285.42	118,329,891.86
(1) Provision	2,152,923.09	24,573,331.27	90,772,352.08		831,285.42	118,329,891.86
3. Decreased amount in current period		1,989,675.24				1,989,675.24
(1) Disposal		1,989,675.24				1,989,675.24
4. Balances on 31 December 2013	9,418,495.62	139,557,045.97	243,026,865.06		831,285.42	392,833,692.07
<b>III. Depreciation reserves</b>						
1. Balance on 31 December 2012						
2. Increased amount in current period						
(1) Provision						
3. Decreased amount in current period						
(1) Disposal						
4. Balances on 31 December 2013						
<b>IV. Book value</b>						
1. Book value on 31 December 2013	8,570,900.75	943,708,345.38	2,027,556,026.59		25,174,471.77	3,005,009,744.49
2. Book value on 31 December 2012	8,069,130.85	956,325,670.29	1,603,618,523.73			2,568,013,324.87

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

### 22. Goodwill

#### (1) Original book value of goodwill

Name of investee or item generating goodwill	Balance on 31 December 2012	Increase for the period	Decrease for the period		Balances on 31 December 2013
		Formed by merger	Disposal	Others	
Formed Goodwill when purchasing Chongqing San Feng Environment Industrial Group Co., Ltd.	572,401,938.71				572,401,938.71
Total	572,401,938.71				572,401,938.71

(Continued)

Name of investee or item generating goodwill	Balances on 31 December 2013	Increase for the period		Decrease for the period		Balance on 31 December 2014
		Formed by merger	Others	Disposal	Others	
Formed Goodwill when purchasing Chongqing San Feng Environment Industrial Group Co., Ltd.	572,401,938.71					572,401,938.71
Total	572,401,938.71					572,401,938.71

(Continued)

Name of investee or item generating goodwill	Balance on 31 December 2014	Increase for the period		Decrease for the period		Balance on 31 December 2015
		Formed by merger	Others	Disposal	Others	
Formed Goodwill when purchasing Chongqing San Feng Environment Industrial Group Co., Ltd.	572,401,938.71					572,401,938.71
Total	572,401,938.71					572,401,938.71



## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

(Continued)

Name of investee or item generating goodwill	Balance on 31 December 2015	Increase for the period		Decrease for the period		Balance on 30 November 2016
		Formed by merger	Others	Disposal	Others	
Formed Goodwill when purchasing Chongqing San Feng Environment Industrial Group Co., Ltd.	572,401,938.71					572,401,938.71
Formed Goodwill when purchasing Taixing San Feng Environmental Energy Co., Ltd. (San Feng)		63,166,372.98				63,166,372.98
Total	572,401,938.71	63,166,372.98				635,568,311.69

### (2) Provision for impairment of goodwill

Name of investee or item generating goodwill	Balance on 31 December 2015	Increase for the period		Decrease for the period		Closing balances
		Provision	Others	Disposal	Others	
Formed Goodwill when purchasing Taixing San Feng Environmental Energy Co., Ltd. (San Feng)		63,166,372.98				63,166,372.98
Total		63,166,372.98				63,166,372.98

*Note:* Provision for impairment of goodwill is RMB63,166,372.98. It was formed when San Feng Environment purchasing Taixing San Feng Environmental Energy Co., Ltd at the assess value in June 2014, the difference between the price RMB201,016,890.00 and the book identifiable net assets fair value formed goodwill. As of November 2016, Taixing SanFeng Environmental Energy Co., Ltd stops production and shut down, so the provision for impairment of goodwill is RMB63,166,372.98.

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

### 23. Deferred income tax assets/deferred income tax liabilities

#### (1) *Deferred income tax assets before offsetting*

Item	30 November 2016		31 December 2015	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provision for impairment of assets	204,796,353.13	31,907,792.63	176,843,223.94	26,816,347.00
Unpaid wages	89,705,008.09	13,809,675.09	87,347,139.49	13,818,055.10
Others	5,126,582.96	1,281,645.74		
Business combination not under the same control Impairment of Assets appraisal	1,268,930.16	317,232.54		
Total	300,896,874.34	47,316,346.00	264,190,363.43	40,634,402.10

(Continued)

Item	31 December 2014		31 December 2013	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provision for impairment of assets	137,107,272.44	21,102,702.97	248,198,995.05	37,801,287.56
Unpaid wages	25,535,597.05	4,170,965.86	20,731,649.28	3,354,353.14
Insider trading profits are not implemented				
Deductible loss				
Fair value variation			391,737.87	58,760.68
Total	162,642,869.49	25,273,668.83	269,322,382.20	41,214,401.38

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

(2) *Deferred income tax liabilities before offsetting*

Item	30 November 2016		31 December 2015	
	Deductible temporary differences	Deferred income tax liabilities	Deductible temporary differences	Deferred income tax liabilities
Changes in fair value of available-for-Sale financial assets	13,845,315.37	2,076,797.28	14,615,397.28	2,192,309.57
Business combination not under the same control Impairment of Assets appraisal	3,694,396.75	923,599.19		
Total	17,539,712.12	3,000,396.47	14,615,397.28	2,192,309.57

(Continued)

Item	31 December 2014		31 December 2013	
	Deductible temporary differences	Deferred income tax liabilities	Deductible temporary differences	Deferred income tax liabilities
Changes in fair value of available-for-Sale financial assets	18,406,569.76	2,760,985.45	5,263,160.18	789,474.03
Trading financial assets – Fair value variation	350,056.02	52,508.40		
Proposed sale of long-term equity investment by equity method to Confirm adjustment P&L			358,405,287.85	53,760,793.18
Total	18,756,625.78	2,813,493.85	363,668,448.03	54,550,267.21

(3) *The breakdown of unrecognized deferred income tax assets*

Item	30 November 2016	31 December 2015	31 December 2014	31 December 2013
Deductible temporary differences	234,936,241.12	81,225,373.44	98,040,653.31	42,284,848.74
Deductible loss	34,004,183.41	35,638,074.99	26,054,701.05	36,756,689.05
Total	268,940,424.53	116,863,448.43	124,095,354.36	79,041,537.79

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

### 24. Other non-current assets

Item	30 November 2016	31 December 2015	31 December 2014	31 December 2013
Infrastructure projects advance payment	174,494,933.89	94,149,048.51	160,757,986.97	241,965,965.40
Entrusted loans	4,520,221.88	400,000,000.00		
Minus: portion of due within one year	4,520,221.88	400,000,000.00		
<b>Total</b>	<b>174,494,933.89</b>	<b>94,149,048.51</b>	<b>160,757,986.97</b>	<b>241,965,965.40</b>

### 25. Short-term borrowings

#### *Categories of Short-term borrowings*

Item	30 November 2016	31 December 2015	31 December 2014	31 December 2013
Pledge loans				
Mortgage loan				
Guaranteed loan				
Credit Loan	205,000,000.00	180,000,000.00		
<b>Total</b>	<b>205,000,000.00</b>	<b>180,000,000.00</b>		

### 26. Bills payable

Type	31 December 2015	31 December 2014
Trade acceptance	2,115,165.01	2,000,000.00
Bank acceptance		
<b>Total</b>	<b>2,115,165.01</b>	<b>2,000,000.00</b>

*Note:* The total amount of bills payable unpaid as at 30 November 2016 is RMB0.

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

### 27. Accounts payable

#### (1) Particulars of accounts payable

Item	30 November 2016	31 December 2015	31 December 2014	31 December 2013
Within 1 year (include 1 year)	1,558,695,744.41	979,908,343.71	1,156,012,707.48	487,369,904.81
1-2 years (include 2 years)	571,370,331.07	816,886,628.71	185,032,921.78	486,371,417.64
2-3 years (include 3 years)	131,531,021.73	118,012,377.20	203,921,845.84	106,850,021.27
Over 3 years	122,491,873.25	159,503,648.78	80,633,302.49	74,547,123.65
Total	2,384,088,970.46	2,074,310,998.40	1,625,600,777.59	1,155,138,467.37

The above aging is based on the date of recognition of purchase.

#### (2) Significant accounts payable for over 1 year

Item	Closing balances	Reasons of not paid or carried over
Xicheng Construction Company in Yingshan County, Sichuan	180,245,372.89	Project is not finished.
Total	180,245,372.89	

### 28. Advance receipts

#### (1) Particulars of advance receipts

Item	30 November 2016	31 December 2015	31 December 2014	31 December 2013
Within 1 year (include 1 year)	945,526,766.47	797,009,929.80	578,088,418.86	348,928,851.64
1-2 years (include 2 years)	368,234,359.84	262,678,256.75	174,166,693.98	105,893,316.46
2-3 years (include 3 years)	6,401,000.00		25,000.00	
Over 3 years	25,000.00	25,000.00		
Total	1,320,187,126.31	1,059,713,186.55	752,280,112.84	454,822,168.10

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

(2) *Significant advance receipts for over 1 year*

Item	Closing balances	Reasons of not paid or carried over
China Power Engineering Consulting Co., Ltd.	42,908,000.00	Settlement period is not reached.
Shenzhen Guangye Longcheng Environmental Energy (Group) Co., Ltd.	20,787,000.00	Settlement period is not reached
Total	63,695,000.00	

### 29. Employee benefits payable

(1) *Particulars of Employee benefits payable*

Item	31 December 2012	Increase in current period	Reduce in current period	31 December 2013
I. Short Time compensation	80,704,392.18	622,000,869.67	612,133,662.40	90,571,599.45
II. Post-employment benefit – set deposit and withdrawal plan	13,939,597.64	74,606,798.70	73,931,311.07	14,615,085.27
III. Termination Benefits		568,546.40	568,546.40	
IV. Other benefits due within one year.		434,164.67	434,164.67	
Total	94,643,989.82	697,610,379.44	687,067,684.54	105,186,684.72

(Continued)

Item	31 December 2013	Increase in current period	Reduce in current period	31 December 2014
I. Short Time compensation	90,571,599.45	678,939,296.76	630,383,720.92	139,127,175.29
II. Post-employment benefit – set deposit and withdrawal plan	14,615,085.27	89,901,324.71	90,444,150.29	14,072,259.69
III. Termination Benefits		323,763.18	323,763.18	
IV. Other benefits due within one year.				
V. Others		362,765.22	362,765.22	
Total	105,186,684.72	769,527,149.87	721,514,399.61	153,199,434.98

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**APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT**


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(Continued)

<b>Item</b>	<b>31 December 2014</b>	<b>Increase in current period</b>	<b>Reduce in current period</b>	<b>31 December 2015</b>
I. Short Time compensation	139,127,175.29	813,939,499.25	702,698,108.35	250,368,566.19
II. Post-employment benefit – set deposit and withdrawal plan	14,072,259.69	114,048,248.84	94,617,413.54	33,503,094.99
III. Termination Benefits		301,574.76	301,574.76	
IV. Other benefits due within one year.				
<b>Total</b>	<b>153,199,434.98</b>	<b>928,289,322.85</b>	<b>797,617,096.65</b>	<b>283,871,661.18</b>

(Continued)

<b>Item</b>	<b>31 December 2015</b>	<b>Increase in current period</b>	<b>Reduce in current period</b>	<b>30 November 2016</b>
I. Short Time compensation	250,368,566.19	712,505,047.53	774,866,362.11	188,007,251.61
II. Post-employment benefit – set deposit and withdrawal plan	33,503,094.99	114,772,487.26	96,811,190.69	51,464,391.56
III. Termination Benefits		228,293.00	228,293.00	
IV. Other benefits due within one year.				
<b>Total</b>	<b>283,871,661.18</b>	<b>827,505,827.79</b>	<b>871,905,845.80</b>	<b>239,471,643.17</b>

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**APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT**

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*(2) Particulars of short-term remuneration*

<b>Item</b>	<b>31 December 2012</b>	<b>Increase in current period</b>	<b>Reduce in current period</b>	<b>31 December 2013</b>
1. Wages, bonus, Grants and subsidies	58,810,893.56	469,854,808.32	463,398,219.93	65,267,481.95
2. Employee services and benefits		29,320,443.27	29,320,443.27	
3. Social insurance charges	2,945,910.45	54,822,901.11	55,255,785.11	2,513,026.45
Include: basic medical insurance	2,958,297.60	49,127,046.66	49,612,896.04	2,472,448.22
Supplementary Medical Insurance		465,790.10	465,790.10	
Work – related injury insurance fees	-1,589.25	2,573,872.32	2,548,977.34	23,305.73
Childbearing insurance premium	-10,797.90	2,656,192.03	2,628,121.63	17,272.50
4. Housing fund	545,730.78	51,812,190.38	51,773,323.30	584,597.86
5. Labor union expenditure and employee education expenses	294,994.71	2,300,521.11	2,223,597.39	371,918.43
6. Short – term paid absences				
7. Short – term profit – sharing plans				
8. Other short-term remuneration	18,106,862.68	13,890,005.48	10,162,293.40	21,834,574.76
<b>Total</b>	<b>80,704,392.18</b>	<b>622,000,869.67</b>	<b>612,133,662.40</b>	<b>90,571,599.45</b>



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**APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT**


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(Continued)

<b>Item</b>	<b>31 December 2013</b>	<b>Increase in current period</b>	<b>Reduce in current period</b>	<b>31 December 2014</b>
1. Wages, bonus, Grants and subsidies	65,267,481.95	514,707,400.05	472,056,547.64	107,918,334.36
2. Employee services and benefits		31,518,124.88	31,518,124.88	
3. Social insurance charges	2,513,026.45	57,488,499.71	56,622,123.23	3,379,402.93
Include: basic medical insurance	2,472,448.22	51,117,415.83	50,225,618.42	3,364,245.63
Supplementary Medical Insurance		662,955.59	662,955.59	
Work – related injury insurance fees	23,305.73	2,799,795.54	2,811,486.45	11,614.82
Childbearing insurance premium	17,272.50	2,908,332.75	2,922,062.77	3,542.48
4. Housing fund	584,597.86	58,128,154.13	58,273,671.47	439,080.52
5. Labor union expenditure and employee education expenses	22,206,493.19	17,097,117.99	11,913,253.70	27,390,357.48
6. Short – term paid absences				
7. Short – term profit – sharing plans				
8. Other short-term remuneration				
<b>Total</b>	<b>90,571,599.45</b>	<b>678,939,296.76</b>	<b>630,383,720.92</b>	<b>139,127,175.29</b>

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**APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT**


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(Continued)

<b>Item</b>	<b>31 December 2014</b>	<b>Increase in current period</b>	<b>Reduce in current period</b>	<b>31 December 2015</b>
1. Wages, bonus, Grants and subsidies	107,918,334.36	640,779,474.42	534,727,696.21	213,970,112.57
2. Employee services and benefits		31,677,671.46	31,677,671.46	
3. Social insurance charges	3,379,402.93	57,770,059.88	58,291,159.48	2,858,303.33
Include: basic medical insurance	3,364,245.63	52,593,863.43	53,116,153.76	2,841,955.30
Supplementary Medical Insurance		12,874.78	12,874.78	
Work – related injury insurance fees	11,614.82	2,897,188.01	2,899,337.79	9,465.04
Childbearing insurance premium	3,542.48	2,266,133.66	2,262,793.15	6,882.99
4. Housing fund	439,080.52	64,210,648.74	64,160,783.24	488,946.02
5. Labor union expenditure and employee education expenses	27,390,357.48	19,212,931.60	13,552,084.81	33,051,204.27
6. Short – term paid absences				
7. Short – term profit – sharing plans				
8. Other short-term remuneration		288,713.15	288,713.15	
<b>Total</b>	<b>139,127,175.29</b>	<b>813,939,499.25</b>	<b>702,698,108.35</b>	<b>250,368,566.19</b>

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

(Continued)

Item	31 December 2015	Increase in current period	Reduce in current period	30 November 2016
1. Wages, bonus, Grants and subsidies	213,970,112.57	549,877,381.61	616,419,335.78	147,428,158.40
2. Employee services and benefits		35,827,969.95	35,827,969.95	
3. Social insurance charges	2,858,303.33	52,474,167.14	50,036,636.58	5,295,833.89
Include: basic medical insurance	2,841,955.30	44,900,381.01	42,467,388.60	5,274,947.71
Supplementary Medical Insurance		2,002,958.39	1,961,383.38	41,575.01
Work – related injury insurance fees	9,465.04	3,191,173.39	3,196,901.52	3,736.91
Childbearing insurance premium	6,882.99	2,379,654.35	2,410,963.08	-24,425.74
4. Housing fund	488,946.02	58,235,797.85	57,842,099.67	882,644.20
5. Labor union expenditure and employee education expenses	33,051,204.27	15,635,446.22	14,286,035.37	34,400,615.12
6. Short – term paid absences				
7. Short – term profit – sharing plans				
8. Other short-term remuneration		454,284.76	454,284.76	
Total	250,368,566.19	712,505,047.53	774,866,362.11	188,007,251.61

### (3) *Defined contribution plan*

Item	31 December 2012	Increase in current period	Reduce in current period	31 December 2013
1. Basic endowment insurance	13,785,889.86	69,478,582.40	68,830,395.48	14,434,076.78
2. Unemployment insurance expense	153,707.78	5,128,216.30	5,100,915.59	181,008.49
3. Enterprise Annuity payment				
Total	13,939,597.64	74,606,798.70	73,931,311.07	14,615,085.27

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

(Continued)

Item	31 December 2013	Increase in current period	Reduce in current period	31 December 2014
1. Basic endowment insurance	14,434,076.78	83,368,144.74	83,877,374.78	13,924,846.74
2. Unemployment insurance expense	181,008.49	6,533,179.97	6,566,775.51	147,412.95
3. Enterprise Annuity payment				
<b>Total</b>	<b>14,615,085.27</b>	<b>89,901,324.71</b>	<b>90,444,150.29</b>	<b>14,072,259.69</b>

(Continued)

Item	31 December 2014	Increase in current period	Reduce in current period	31 December 2015
1. Basic endowment insurance	13,924,846.74	89,821,315.75	89,722,169.89	14,023,992.60
2. Unemployment insurance expense	147,412.95	4,879,079.27	4,895,243.65	131,248.57
3. Enterprise Annuity payment		19,347,853.82		19,347,853.82
<b>Total</b>	<b>14,072,259.69</b>	<b>114,048,248.84</b>	<b>94,617,413.54</b>	<b>33,503,094.99</b>

(Continued)

Item	31 December 2015	Increase in current period	Reduce in current period	30 November 2016
1. Basic endowment insurance	14,023,992.60	85,604,841.73	86,036,686.25	13,592,148.08
2. Unemployment insurance expense	131,248.57	3,025,791.89	2,962,487.40	194,553.06
3. Enterprise Annuity payment	19,347,853.82	26,141,853.64	7,812,017.04	37,677,690.42
<b>Total</b>	<b>33,503,094.99</b>	<b>114,772,487.26</b>	<b>96,811,190.69</b>	<b>51,464,391.56</b>

*Note:* Target Group participates in basic endowment insurance and unemployment insurance plan established by government in accordance with the relevant requirements, Target Group makes a monthly contribution equivalent to 19% – 20% and 1%-2% respectively of the employee’s monthly actual salary or benchmark salary, with reference to last year’s monthly average salary as a benchmark. Target Group participates in annuity scheme and makes a contribution equivalent to 5%-9% of the employee’s total salary (after deduction of social insurance and individual income tax) in last year.

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

### 30. Taxes payable

Item	30 November 2016	31 December 2015	31 December 2014	31 December 2013
Value added tax	502,398,961.65	180,865,783.58	5,190,361.88	6,975,925.10
Goods and Services Tax				
Resources tax	5,670,468.59	6,525,152.15	7,691,084.73	5,109,638.57
Business tax	10,160,834.65	35,746,285.37	30,174,664.98	29,773,715.46
Business income tax	23,531,965.88	25,978,146.48	19,071,797.29	26,387,097.10
Urban maintenance and construction tax	35,838,486.63	15,465,113.64	3,848,252.89	2,714,840.91
Property tax	-10,481.41	495,076.18	850,152.46	94,138.55
Land use charge	-105,386.34	598,919.40	118,922.40	0
Individual income tax	1,195,237.23	1,916,236.62	1,277,543.26	1,238,399.16
Education Surcharge	15,818,955.57	6,714,828.59	2,156,042.99	1,072,907.64
City GYSY Surcharge	10,325,804.27	21,815,266.71	15,571,619.00	20,709,802.60
sewage treatment charge	39,915,877.79	81,408,033.17	52,459,072.01	48,612,837.10
Local Education Surcharge	10,023,213.20	3,920,091.61	518,153.74	500,450.70
Other taxes and fees	15,961,586.42	2,397,613.13	3,216,539.20	3,569,965.87
Total	670,725,524.13	383,846,546.63	142,144,206.83	146,759,718.76

*Note:* Other taxes mainly include City GYSY Surcharge, disability benefits, water resources fee, sewage treatment fees, garbage disposal fees, etc.

### 31. Interest payable

Item	30 November 2016	31 December 2015	31 December 2014	31 December 2013
Staging Coupon interest on the due repayment of long-term borrowings	14,767,709.64	2,636,000.09	1,266,520.61	435,302.09
Interest on short-term loans payable	581,268.77	141,513.89		
Total	15,348,978.41	2,777,513.98	1,266,520.61	435,302.09

### 32. Dividend payable

Item	30 November 2016	31 December 2015	31 December 2014	31 December 2013
Ordinary stock dividend	1,430,780.00	3,751,859.62	3,557,629.94	2,699,730.00
Total	1,430,780.00	3,751,859.62	3,557,629.94	2,699,730.00

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

### 33. Other payables

#### (1) Other payables by nature

Item	30 November 2016	31 December 2015	31 December 2014	31 December 2013
Cash deposits and advances	169,345,839.81	253,316,297.94	230,411,995.15	67,856,410.77
Collection and payment	29,138,142.58	59,194,886.30	53,040,247.75	22,056,454.15
Project funds	5,281,807.84	1,083,540.04	21,982,220.39	15,925,977.08
Enterprise account	42,969,859.01	9,695,260.04	162,819,421.62	36,896,945.15
Various expenses	25,521,847.69	19,870,597.65	23,509,595.13	30,933,103.55
Others	201,473,067.46	32,546,252.22	103,592,865.70	243,202,379.38
<b>Total</b>	<b>473,730,564.39</b>	<b>375,706,834.19</b>	<b>595,356,345.74</b>	<b>416,871,270.08</b>

#### (2) Significant other payables for over 1 year

Project	Closing balances	Reasons of non-reimbursed or carried over
Kunming Airport Investment and Development LLC	3,153,277.56	Not for settlement procedures
Chongqing iron and steel Group Construction Project Co., Ltd.	2,490,000.00	Non-reimbursed
Zhejiang Seiko Steel Group Co., Ltd.	1,829,247.05	Non-reimbursed
<b>Total</b>	<b>7,472,524.61</b>	

### 34. Non-current liabilities due within one year

Item	30 November 2016	31 December 2015	31 December 2014	31 December 2013
Long – term loans due within 1 year	425,232,950.31	212,666,748.25	150,893,639.09	81,891,482.50
Bonds payable due within 1 year			1,760,803,882.98	
<b>Total</b>	<b>425,232,950.31</b>	<b>212,666,748.25</b>	<b>1,911,697,522.07</b>	<b>81,891,482.50</b>

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

### 35. Long-term borrowings

Item	30 November 2016	31 December 2015	31 December 2014	31 December 2013
Pledge loans	1,255,006,000.00	1,323,080,400.00	768,785,200.00	645,000,000.00
Mortgage loan				
Guaranteed loan	1,738,910,166.79	1,233,748,222.19	1,029,461,730.70	1,307,257,255.92
Credit Loan	655,879,241.87	741,527,195.05	682,500,440.50	591,538,277.65
Minus: long-term loans due within one year	425,232,950.31	212,666,748.25	150,893,639.09	81,891,482.50
Total	3,224,562,458.35	3,085,689,068.99	2,329,853,732.11	2,461,904,051.07

#### *Maturity date analysis of long-term borrowings*

Item	30 November 2016	31 December 2015	31 December 2014	31 December 2013
1-2 years	399,117,535.29	263,293,882.25	219,253,882.25	146,416,741.98
2-5 years	1,138,905,173.90	923,981,547.53	476,601,668.22	408,703,063.74
Over 5 years	1,686,539,749.16	1,898,413,639.21	1,633,998,181.64	1,906,784,245.35
Total	3,224,562,458.35	3,085,689,068.99	2,329,853,732.11	2,461,904,051.07

*Note:* Guaranteed loan is provided guarantees by Chongqing Municipal Health and Planning Commission, Chongqing Municipal Finance Bureau and the internal enterprises of the Group.

The Target Group does not breach in any covenants and undertakings of all borrowings

### 36. Bonds payable

Item	30 November 2016	31 December 2015	31 December 2014	31 December 2013
Company Bond	1,563,964,931.66	1,570,277,260.39	1,570,277,260.35	1,570,277,260.31
Enterprise Bond			1,760,803,882.98	1,760,803,883.02
Minus: Bond payable due within one year			1,760,803,882.98	
Total	1,563,964,931.66	1,570,277,260.39	1,570,277,260.35	3,331,081,143.33

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

### *Maturity date analysis of Bonds payable*

Item	30 November 2016	31 December 2015	31 December 2014	31 December 2013
1-2 years				1,760,803,883.02
2-5 years	1,563,964,931.66	1,570,277,260.35	1,570,277,260.35	1,570,277,260.31
Over 5 years				
Total	1,563,964,931.66	1,570,277,260.35	1,570,277,260.35	3,331,081,143.33

### 37. Long-term payables

Item	30 November 2016	31 December 2015	31 December 2014	31 December 2013
Chongqing Water Asset Management Co., Ltd.	100,000,000.00	100,000,000.00	100,000,000.00	
Wuxi Sewage Treatment Project		2,880,000.00	2,880,000.00	2,880,000.00
Yunyang Sewage Treatment Project		1,183,310.74	1,183,310.74	1,183,310.74
Wulong Sewage Treatment Project		1,737,315.32	1,737,315.32	1,737,315.32
Chongqing Urban Transport Development Investment (Group) Co., Ltd.				100,000,000.00
Chongqing XingRong State – owned Assets Management Co., Ltd.	12,121,095.59			
Wulong Kaixin Industrial Development Co., Ltd.	34,637,522.52			
Minus: portion due within 1 year				
Total	146,758,618.11	105,800,626.06	105,800,626.06	105,800,626.06

### 38. Deferred Revenue

Item	31 December 2015	Increase for the period	Decrease for the period	30 November 2016	Causes
Government grants	194,466,614.21	13,442,493.32	8,230,230.72	199,678,876.81	
User contributions	362,501,351.18	79,278,214.35	32,908,168.32	408,871,397.21	
Total	556,967,965.39	92,720,707.67	41,138,399.04	608,550,274.02	—



## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

(Continued)

Item	31 December 2014	Increase for the period	Decrease for the period	31 December 2015	Causes
Government grants	166,254,215.99	41,654,842.06	13,442,443.84	194,466,614.21	
User contributions	290,555,122.57	95,847,277.14	23,901,048.53	362,501,351.18	
Total	456,809,338.56	137,502,119.20	37,343,492.37	556,967,965.39	—

(Continued)

Item	31 December 2013	Increase for the period	Decrease for the period	31 December 2014	Causes
Government grants	150,144,278.25	32,530,239.25	16,420,301.51	166,254,215.99	
User contributions	224,246,580.13	88,268,309.77	21,959,767.33	290,555,122.57	
Total	374,390,858.38	120,798,549.02	38,380,068.84	456,809,338.56	

(Continued)

Item	31 December 2012	Increase for the period	Decrease for the period	31 December 2013	Causes
Government grants	126,926,957.95	29,289,681.20	6,072,360.90	150,144,278.25	
User contributions	153,287,570.23	70,959,009.90		224,246,580.13	
Total	280,214,528.18	100,248,691.10	6,072,360.90	374,390,858.38	

Items in respect of government grant:

Liabilities item	Opening balance	New grants for the period	Amounts included in operating income in this year	Other alterations	Closing balance	Related to assets/ Related to income
Dali municipal governments special funds for renewable energy development	1,821,968.00		19,804.00		1,802,164.00	Related to assets
Special funds for Science and Technology Project (SNCR)	1,400,000.00				1,400,000.00	Related to assets
Subsidies for new – type industrialization development	16,003,350.00		301,950.00		15,701,400.00	Related to assets
State, local and municipal solid waste incineration technology joint research center project		4,000,000.00			4,000,000.00	Related to assets
Special Funds for sewage disposal in Shandong Province	3,297,249.97	15,500.00	475,609.43		2,837,140.54	Related to assets

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

Liabilities item	Opening balance	New grants for the period	Amounts included in operating income in this year	Other alterations	Closing balance	Related to assets/ Related to income
Special funds for research and development center of New Type Industrialization development	8,643,803.16		276,400.74		8,367,402.42	Related to assets
Special interest – subsidy funds for energy – efficient infrastructure	1,800,300.00		137,500.00		1,662,800.00	Related to income
Innovative diagnostic project funding	20,000.00				20,000.00	Related to income
National Key new product subsidies (INC600)	75,859.31		8,333.33		67,525.98	Related to income
Research and Application of semi – dry flue gas treatment technology meeting EU2000Emission Standard	173,000.00				173,000.00	Related to income
Cultivation of innovation projects	104,756.00		104,756.00			Related to income
Patent development strategy planning project	48,088.00				48,088.00	Related to income
Study on pollution control of leachate from refuse incineration power plant	120,000.00				120,000.00	Related to income
Development of High Performance metals sequestrates and solidification of fly ash	89,025.00				89,025.00	Related to income
Study on waste incineration ACC model based on FNN	80,000.00				80,000.00	Related to income
New technology development and industrialization of waste gasification combustion	25,300.57		7,241.00		18,059.57	Related to income
Chongqing Hundreds of high-end engineering and technical personnel training	238,008.31				238,008.31	Related to income
“Water special project” scientific and research project	3,515,151.88	900,000.00	581,547.18		3,833,604.70	Related to assets
Project rectification fund	883,174.05	–	81,595.47	–	801,578.58	Related to assets
Pipe network Inlet to award funding	7,463,853.96	–	444,583.37	–	7,019,270.59	Related to assets
City Environmental Protection Special payments data collection instrument	285,712.00	–	52,382.00	–	233,330.00	Related to assets
175 m effect of drainage water control projects	192,852.30	430,000.00	–	–	622,852.30	Related to assets

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

Liabilities item	Opening balance	New grants for the period	Amounts included in operating income in this year	Other alterations	Closing balance	Related to assets/ Related to income
Three Gorges Project inundated funds	42,640.00	-	-	-	42,640.00	Related to assets
Southern suburbs and Ankang pumping station project	5,300,000.00	-	-	-	5,300,000.00	Related to assets
Denitrification and phosphorus removal project	10,011,111.16	282,792.00	539,814.77	-	9,754,088.39	Related to assets
Southern Suburbs of Kaixian County Resettlement Community sewage discharging station	24,500,000.00	-	-	-	24,500,000.00	Related to assets
Pingqiao sewage pumping station technical renovation grants	3,973,400.00	-	-	-	3,973,400.00	Related to assets
175 m effect of drainage water control projects	1,397,147.70	-	-	-	1,397,147.70	Related to assets
Online automatic monitoring system	18,000.00	-	-	-	18,000.00	Related to assets
Online monitoring system for environment protection	1,035,782.93	-	217,423.91	-	818,359.02	Related to assets
Immigrant fund subsidies	2,030,360.52	-	162,959.39	-	1,867,401.13	Related to assets
Jiangjin District outside Jijiang factory Trunk sewers and rescue program	-	655,100.00	-	-	655,100.00	Related to assets
Fill Inlet to award funding	16,068,988.00	2,540,000.00	380,413.00	-	18,228,575.00	Related to assets
Fill Inlet to award funding	21,918,769.82	-	1,374,996.37	-	20,543,773.45	Related to assets
Water inflow online monitoring system	1,360,000.24	-	139,999.86	-	1,220,000.38	Related to assets
Tuqiao pump station	-	1,548,112.00	12,253.42	-	1,535,858.58	Related to assets
Harvest improvement of recoil system in the dam water subsidies	-	500,000.00	-	-	500,000.00	Related to income
Desert Housing Authority full coverage of financial aid	-	2,038,811.82	-	-	2,038,811.82	Related to assets
Headquarters corporation Tax Refund	-	105,500.00	105,500.00	-	-	Related to income
Other financial aid	14,956,298.22	-	189,041.42	-	14,767,256.80	Related to assets
Fire brigade fire hydrant maintenance fee in Nan' an District, Chongqing	-	470,000.00	-	-	470,000.00	Related to income
Development and Reform Commission, Nan' An district 2015 for working capital grant funding	-	80,000.00	-	-	80,000.00	Related to income

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

Liabilities item	Opening balance	New grants for the period	Amounts included in operating income in this year	Other alterations	Closing balance	Related to assets/ Related to income
Second – phase relocation compensation, Fen Liudao, Yunan, Banan District	2,204,760.00				2,204,760.00	Related to assets
Finance renovation grants one meter per householder	13,430,000.00	-3,725,792.50	242,224.90		9,461,982.60	Related to assets
Water field Pool Cover	204,840.28		10,431.63		194,408.65	Related to assets
Drought Relief Fund Projects	240,000.15		24,444.42		215,555.73	Related to assets
Dehydrator system for Jiguanshi plant	581,152.44	3,080,000.00	778,353.33		2,882,799.11	Related to assets
On-line Monitoring	399,999.91		52,381.01		347,618.90	Related to assets
South Pressure Station relocation wholly	13,258,131.02		467,434.11		12,790,696.91	Related to assets
City Environmental Protection Special payments data collection instrument	154,563.88		27,136.94		127,426.94	Related to assets
NO.1 Middle School Hejia gou Engineering	905,811.22		58,268.54		847,542.68	Related to assets
175 Water rescue and reconstruction project	115,866.88		7,241.63		108,625.25	Related to assets
Project improvement funds	943,573.10		194,241.55		749,331.55	Related to assets
To award the Fill pipe network access	218,750.00	460,000.00	13,750.00		665,000.00	Related to assets
Online testing project subsidy funds	2,109,099.59		328,444.33		1,780,655.26	Related to assets
Pipe network project subsidy funds	4,280,533.25		169,671.70		4,110,861.55	Related to assets
Financial transformation one meter per householder	1,444,444.47		122,222.21		1,322,222.26	Related to assets
Yao Zikou Water Plant to Donglin SquareDN300pipeline	542,980.44		67,935.34		475,045.10	Related to assets
Yao Zikou Water PlantDN300DN250 feed water piping extend to Wansheng Avenue	793,333.34		51,944.42		741,388.92	Related to assets
Inflow water quality online monitoring system	3,744,823.14				3,744,823.14	Related to assets
Important industrial investment award		60,000.00			60,000.00	Related to income
Golden tax billing system purchase deducted VAT amount payable		2,470.00			2,470.00	Related to income

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

### 39. Special payables

Item	31 December 2015	Increase for the period	Decrease for the period	30 November 2016	Reasons
Rock landslide in subsidies	6,000,000.00			6,000,000.00	Related department subsidize project construction
Hechuang Tap water supply subsidy funds	14,500,000.00	9,500,000.00		24,000,000.00	Related department subsidize project construction
Special Award for supporting network infrastructure grant funds	7,260,000.00		5,620,000.00	1,640,000.00	Related department subsidize project construction
Financial allocation of Jian'an business tax return	30,962,689.50			30,962,689.50	Tax return
Chuandong Chemical Plant relocation	15,000,000.00			15,000,000.00	Relocation compensation
Return of the land leasing	964,987.00			964,987.00	Return land-transferring fees
Block the demolition project, Chongguang Village NO.5, Shipping bridge, Jiulongpo District	2,500,000.00			2,500,000.00	Relocation compensation
Chang Shengqiao landfill leachate treatment project	42,000,000.00			42,000,000.00	YCJ [2011] NO. 720, YCJ [2012] NO. 140
Waste Incineration promotion of Finance allocated funding received	10,000,000.00			10,000,000.00	YFGT [2012] NO.1858
Waste Incineration power generation project in Wanzhou government special allowance	282,200,000.00			282,200,000.00	
Shanwei BOT central budget for investment, budgetary investment of central government	30,000,000.00		30,000,000.00		

**APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT**

<b>Item</b>	<b>31 December 2015</b>	<b>Increase for the period</b>	<b>Decrease for the period</b>	<b>30 November 2016</b>	<b>Reasons</b>
Meizhou SanFeng Environmental Energy Co., Ltd. Incineration power generation Project		13,000,000.00		13,000,000.00	2016 urban sewage treatment facilities and sewage pipe network project, Central infrastructure investment budget
“Urban sewage treatment plant incineration of collaborative technology development and demonstration projects” special funds		210,000.00		210,000.00	YCJ [2011] NO.720 YCJ [2012]NO.140
“Fly Ash recirculation technology research and development project” special funds		200,000.00		200,000.00	
“Municipal Solid Waste Incineration fly ash in asphalt pavement research on adaptability of” special funds		400,000.00		400,000.00	
Total	441,387,676.50	23,310,000.00	35,620,000.00	429,077,676.50	

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

(Continued)

Item	31 December 2014	Increase for the period	Decrease for the period	31 December 2015	Reasons
Rock landslide in subsidies	6,000,000.00			6,000,000.00	Related department subsidize project construction
Hechuang Tap water supply subsidy funds	14,500,000.00			14,500,000.00	Related department subsidize project construction
Special Award for supporting network infrastructure grant funds	10,000,000.00		2,740,000.00	7,260,000.00	Related department subsidize project construction
Financial allocation of Jian'an business tax return	30,962,689.50			30,962,689.50	Tax return
Chuangdong Chemical Plant relocation	15,000,000.00			15,000,000.00	Relocation compensation
Return of the land leasing	964,987.00			964,987.00	Return land-transferring fees
Block the demolition project, Chongguang Village NO.5, Shipping bridge, Jiu Longpo District		2,500,000.00		2,500,000.00	Relocation compensation
Chang Shengqiao landfill leachate treatment project	42,000,000.00			42,000,000.00	
Waste Incineration promotion of Finance allocated funding received	10,000,000.00			10,000,000.00	
Waste Incineration power generation project in Wanzhou government special allowance	282,200,000.00			282,200,000.00	
Urban sewage treatment facilities and sewage pipe network project 2014 the central budget for investment	30,000,000.00		30,000,000.00		
Shanwei BOT central budget for investment	30,000,000.00			30,000,000.00	
<b>Total</b>	<b>471,627,676.50</b>	<b>2,500,000.00</b>	<b>32,740,000.00</b>	<b>441,387,676.50</b>	

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

(Continued)

Item	31 December 2013	Increase for the period	Decrease for the period	31 December 2014	Reasons
Rock landslide in subsidies	6,000,000.00			6,000,000.00	Related department subsidize project construction
Hechuang Tap water supply subsidy funds	14,500,000.00			14,500,000.00	Related department subsidize project construction
Special Award for supporting network infrastructure grant funds	10,000,000.00			10,000,000.00	Related department subsidize project construction
Financial allocation of Jian'an business tax return	30,962,689.50			30,962,689.50	Tax return
Chuangdong Chemical Plant relocation	15,000,000.00			15,000,000.00	Relocation compensation
Return of the land leasing	964,987.00			964,987.00	Return land-transferring fees
Chang Shengqiao landfill leachate treatment project	42,000,000.00			42,000,000.00	
Waste Incineration promotion of Finance allocated funding received	10,000,000.00			10,000,000.00	
Waste Incineration power generation project in Wanzhou government special allowance	282,200,000.00			282,200,000.00	
Urban sewage treatment facilities and sewage pipe network project 2014 the central budget for investment		30,000,000.00		30,000,000.00	
Shanwei BOT central budget for investment		30,000,000.00		30,000,000.00	
<b>Total</b>	<b>411,627,676.50</b>	<b>60,000,000.00</b>		<b>471,627,676.50</b>	



## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

(Continued)

Item	31 December 2012	Increase for the period	Decrease for the period	31 December 2013	Reasons
Rock landslide in subsidies	6,000,000.00			6,000,000.00	Related department subsidize project construction
Hechuang Tap water supply subsidy funds	14,500,000.00			14,500,000.00	Related department subsidize project construction
Special Award for supporting network infrastructure grant funds	10,000,000.00			10,000,000.00	Related department subsidize project construction
Financial allocation of Jian'an business tax return	30,962,689.50			30,962,689.50	Tax return
Chuangdong Chemical Plant relocation	15,000,000.00			15,000,000.00	Relocation compensation
Return of the land leasing	964,987.00			964,987.00	Return land-transferring fees
UV renovation project	863,894.00		863,894.00		
Binjiang Road Shopping Network project	5,560,000.00		5,560,000.00		
Chang shengqiao landfill leachate treatment project	42,000,000.00			42,000,000.00	
Waste Incineration promotion of Finance allocated funding received		10,000,000.00		10,000,000.00	
Waste Incineration power generation project in Wanzhou government special allowance	205,200,000.00	77,000,000.00		282,200,000.00	
<b>Total</b>	<b>331,051,570.50</b>	<b>87,000,000.00</b>	<b>6,423,894.00</b>	<b>411,627,676.50</b>	

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

### 40. Other non-current liabilities

Project	30 November 2016	31 December 2015	31 December 2014	31 December 2013
Construction Fund for important Agricultural Development loans	675,000,000.00			
Total	675,000,000.00			

### 41. Paid-in capital

#### (1) Changes of paid-in capital from January to November, 2016

Investor	Amount at beginning of year	Increase	Reduce	Amount at end of Period	Shareholding ratio(%)
Chongqing Water Asset Management Co., Ltd.	70,611,986.21	678,388,013.79		749,000,000.00	74.90
Chongqing SuYu Industry Development Co., Ltd.	23,663,028.75	227,336,971.25		251,000,000.00	25.10
Total	94,275,014.96	905,724,985.04		1,000,000,000.00	100.00

*Note:* On January 21, 2016, the Target Company held annual shareholders meeting for the first time in 2016, the meeting made the decision that the capital reserves RMB905,724,985.04 convert to registered capital. After that, the registered capital of the Target Company is RMB1,000,000,000.00. Water Asset held 74.9% stock rights of the Target Company, Suyu Industry held 25.10% stock rights of the Target Company.

#### (2) Changes of paid- in capital in 2015

Investor	Amount at beginning of year	Increase	Reduce	Amount at end of Period	Shareholding ratio(%)
Chongqing Water Asset Management Co., Ltd	10,000,000.00	60,611,986.21		70,611,986.21	74.90
Chongqing SuYu Industry Development Co., Ltd.		23,663,028.75		23,663,028.75	25.10
Total	10,000,000.00	84,275,014.96		94,275,014.96	100

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

*Note:* In October 2015, according to *Investment Agreement on Chongqing Derun Environment Co., Ltd. among Chongqing Water Asset Management Co., Ltd, Chongqing Suyu Industry Development Co., Ltd. and Chongqing Derun Environment Co., Ltd.* Water Asset made capital increment for the Target Company with 36.60% shares of Water Group, Suyu Industry made capital increment for the Target Company with 13.44% shares of Water Group and RMB442,082,360.71 Yuan, which made the registered capital of the Target Company increased RMB84,275,014.96 Yuan, the capital reserve of the Target Company increased RMB7,160,297,535.11 Yuan, and the Target Company holds 50.0375% shares of Water Group after that, at the same time, Water Asset holds 74.90% shares of the Target Company, Suyu Industry holds 25.0% shares of the Target Company.

### (3) Changes of paid- in capital in 2014

Investor	Amount at beginning of year	Increase	Reduce	Amount at end of Period	Shareholding ratio(%)
Chongqing Water Asset Management Co., Ltd		10,000,000.00		10,000,000.00	100
Total		10,000,000.00		10,000,000.00	100

## 42. Capital reserve

### (1) Changes in Capital reserve from January to November in 2016

Item	Opening balance	Increase	Reduce	Closing balances
Capital premium	9,311,600,381.08		905,724,985.04	8,405,875,396.04
Other capital reserve	-1,918,012,329.52	62,132,752.83		-1,855,879,576.69
Total	7,393,588,051.56	62,132,752.83	905,724,985.04	6,549,995,819.35

*Note:* On 21 January 2016, the Target Company held annual shareholders meeting for the first time in 2016, this meeting made the decision that the capital reserves RMB905,724,985.04 Yuan converted to registered capital. After that, the registered capital of the Target Company is RMB1,000,000,000.00 Yuan. Water Asset hold 74.9% stock rights of the Target Company and Suyu Industry hold 25.10% stock rights of the Target Company.

### (2) Changes in Capital reserve in 2015

Item	Opening balance	Increase	Reduce	Closing balances
Capital premium		9,311,600,381.08		9,311,600,381.08
Other capital reserve	5,056,599,006.27		6,974,611,335.79	-1,918,012,329.52
Total	5,056,599,006.27	9,311,600,381.08	6,974,611,335.79	7,393,588,051.56

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

Note: ① According to *Investment Agreement on Chongqing Derun Environment among Chongqing Water Asset Management Co., Ltd., Chongqing Suyu Industry Development Co., Ltd. and Chongqing Derun Environment Co., Ltd.*, Water Asset made capital increment for the Target Company with 36.60% shares of Water Group, Suyu Industry made capital increment for the Target Company with 13.44% shares of Water Group and RMB442,082,360.71 Yuan, which made the capital reserve of the Target Company increased RMB7,032,804,333.38 Yuan.

② According to *Official Reply by Chongqing State-owned Assets Supervision and Administration Commission about Agreement on Gratuitous Stock Equity Transfer of Chongqing Sanfeng Environment Industry Co., Ltd. to Chongqing DeRun Environment Co., Ltd.* (YUGUOZI[2015] NO.670), it agreed that 67.086% equity of Sanfeng Environment held by Water Asset was transferred to the Target Company, which made the capital reserve of the Target Company increased RMB2,278,796,047.70 Yuan.

③ San Feng Environment and Water Group are included in the scope of consolidation this year, which made the capital reserve of the Target Company decreased RMB6,974,444,688.55 Yuan.

### (3) Changes of Capital reserve in 2014

Item	Opening balance	Increase	Reduce	Closing balances
Capital premium				
Other Capital surplus	5,049,890,406.27	6,708,600.00		5,056,599,006.27
Total	5,049,890,406.27	6,708,600.00		5,056,599,006.27

### (4) Changes of Capital reserve in 2013

Item	Opening balance	Increase	Reduce	Closing balances
Capital premium				
Other Capital surplus	4,982,804,406.27	67,086,000.00		5,049,890,406.27
Total	4,982,804,406.27	67,086,000.00		5,049,890,406.27

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

### 43. Other comprehensive income

(1) Variation of other comprehensive income from January to November, 2016

Items	Opening balance	Occurrence amount					Closing balance
		Incurring before Income tax for the period	Less: Transferred from Other Comprehensive Income in prior periods to profit or loss during the period	Less: income tax expenses	Attributable to parent company after tax	Attributable to minority shareholders after tax	
I. Other comprehensive profit and loss in capable of reclassification into profit and loss later							
In: Remeasurement setup net liabilities or asset variation of benefited benefit plans							
Shares in capable of reclassifying into other comprehensive profit and loss of investee by equity method							
II. Other comprehensive profit and loss reclassified into profit and loss later	-453,900.61	-770,081.91		-115,512.29	-327,530.27	-327,039.35	-781,430.88
In: shares enjoyed in afterwards reclassified other comprehensive profit and loss of investee by equity method	-5,000,750.70						-5,000,750.70
Profit and loss of fair value variation of available-for-sale financial assets	4,546,850.09	-770,081.91		-115,512.296	-327,530.27	-327,039.35	4,219,319.82
Held-to-maturity investment reclassification for profit and loss of available-for-sale financial assets							
Effect amount of cash-flow hedge							
Converted balance of foreign currency statement							
Total other comprehensive income	-453,900.61	-770,081.91		-115,512.29	-327,530.27	-327,039.35	-781,430.88

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

### (2) Variation of other comprehensive income in 2015

Items	Opening balance	Occurrence amount					Closing balance
		Incurring before Income tax for the period	Less: Transferred from Other Comprehensive Income in prior periods to profit or loss during the period	Less: income tax expenses	Attributable to parent company after tax	Attributable to minority shareholders after tax	
I. Other comprehensive profit and loss in capable of reclassification into profit and loss later							
In: Remeasurement setup net liabilities or asset variation of benefited benefit plans							
Shares in capable of reclassifying into other comprehensive profit and loss of investee by equity method							
II. Other comprehensive profit and loss reclassified into profit and loss later	725,533.15	-3,791,172.48		-568,675.88	-1,179,433.76	-2,043,062.84	-453,900.61
In: shares enjoyed in afterwards reclassified other comprehensive profit and loss of investee by equity method	-5,000,750.70						-5,000,750.70
Profit and loss of fair value variation of available-for-sale financial assets	5,726,283.85	-3,791,172.48		-568,675.88	-1,179,433.76	-2,043,062.84	4,546,850.09
Held-to-maturity investment reclassification for profit and loss of available-for-sale financial assets							
Effect amount of cash-flow hedge							
Converted balance of foreign currency statement							
Total other comprehensive income	725,533.15	-3,791,172.48		-568,675.88	-1,179,433.76	-2,043,062.84	-453,900.61

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

### (3) Variation of other comprehensive income in 2014

Items	Opening balance	Occurrence amount					Closing balance
		Incurring before Income tax for the period	Less: Transferred from Other Comprehensive Income in prior periods to profit or loss during the period	Less: income tax expenses	Attributable to parent company after tax	Attributable to minority shareholders after tax	
I. Other comprehensive profit and loss in capable of reclassification into profit and loss later							
In: Remeasurement setup net liabilities or asset variation of benefited benefit plans							
Shares in capable of reclassifying into other comprehensive profit and loss of investee by equity method							
II. Other comprehensive profit and loss reclassified into profit and loss later	-22,824,670.55	66,316,330.28		1,971,511.42	23,550,203.70	40,794,615.16	725,533.15
In: shares enjoyed in afterwards reclassified other comprehensive profit and loss of investee by equity method	-24,462,039.68	53,172,920.70			19,461,288.98	33,711,631.72	-5,000,750.70
Profit and loss of fair value variation of available-for-sale financial assets	1,637,369.13	13,143,409.58		1,971,511.42	4,088,914.72	7,082,983.44	5,726,283.85
Held-to-maturity investment reclassification for profit and loss of available-for-sale financial assets							
Effect amount of cash-flow hedge							
Converted balance of foreign currency statement							
Total other comprehensive income	-22,824,670.55	66,316,330.28		1,971,511.42	23,550,203.70	40,794,615.16	725,533.15

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

### (4) Variation of other comprehensive income in 2013

Items	Opening balance	Occurrence amount					Closing balance
		Incurring before Income tax for the period	Less: Transferred from Other Comprehensive Income in prior periods to profit or loss during the period	Less: income tax expenses	Attributable to parent company after tax	Attributable to minority shareholders after tax	
I. Other comprehensive profit and loss in capable of reclassification into profit and loss later							
In: Remeasurement setup net liabilities or asset variation of benefited benefit plans							
Shares in capable of reclassifying into other comprehensive profit and loss of investee by equity method							
II. Other comprehensive profit and loss reclassified into profit and loss later	-29,921,084.28	19,019,457.58		-369,650.97	7,096,413.73	12,292,694.82	-22,824,670.55
In: shares enjoyed in afterwards reclassified other comprehensive profit and loss of investee by equity method	-32,325,109.53	21,483,797.40			7,863,069.85	13,620,727.55	-24,462,039.68
Profit and loss of fair value variation of available-for-sale financial assets	2,404,025.25	-2,464,339.82		-369,650.97	-766,656.12	-1,328,032.73	1,637,369.13
Held-to-maturity investment reclassification for profit and loss of available-for-sale financial assets							
Effect amount of cash-flow hedge							
Converted balance of foreign currency statement							
Total other comprehensive income	-29,921,084.28	19,019,457.58		-369,650.97	7,096,413.73	12,292,694.82	-22,824,670.55



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**APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT**

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**44. Surplus reserves**

<b>Item</b>	<b>31 December 2015</b>	<b>Increase for the period</b>	<b>Decrease for the period</b>	<b>30 November 2016</b>
Statutory surplus reserve		61,232,590.00		61,232,590.00
Total		61,232,590.00		61,232,590.00

**45. Undistributed profit**

<b>Item</b>	<b>30 November 2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Undistributed profit as at the end of the prior year before adjustment	1,739,131,643.65	1,692,037,680.42	1,535,766,029.91	1,243,321,454.38
Adjust the number of total undistributed profit (increase +, reduced -)				
Undistributed profit after adjustments	1,739,131,643.65	1,692,037,680.42	1,535,766,029.91	1,243,321,454.38
Plus: net profit for the period attributable to parent company shareholders	896,078,600.84	647,543,963.23	630,632,905.04	752,802,836.11
Minus: withdrawal legal surplus	61,232,590.00			
Withdrawal other common accumulation fund				
Draw general risk reserves				
Common Stock dividends payable	530,000,000.00	600,450,000.00	474,336,000.00	460,281,600.00
Capitalized Common Stock Dividend				
Others			25,254.53	76,660.58
Final undistributed profits	2,043,977,654.49	1,739,131,643.65	1,692,037,680.42	1,535,766,029.91

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

### 46. Revenue and operating costs

Item	Jan.-Nov., 2016		Jan.-Nov., 2015 (unaudited)	
	Revenue	Costs	Income	Costs
Main business	6,016,414,986.21	3,868,379,026.34	5,071,672,181.94	2,959,389,404.02
Garbage power generation income	858,821,916.62	338,679,149.92	691,099,832.71	294,594,273.59
Construction and Installation	1,164,711,191.44	1,092,446,684.76	761,038,931.59	685,964,411.79
Incineration and spare parts income	798,114,245.38	705,856,822.62	604,620,309.22	467,549,607.26
Technical support services fee	121,023,815.86	96,975,707.51	85,310,990.36	71,025,638.66
Water supply sales	976,540,580.65	723,882,413.54	904,413,358.14	682,116,718.83
Wastewater treatment of income	1,918,048,675.45	783,632,846.92	1,955,270,678.16	719,774,099.70
Heating business	90,128,922.91	71,791,879.82		
Others	89,025,637.90	55,113,521.25	69,918,081.76	38,364,654.19
Other business	593,577,509.00	252,601,618.75	472,012,922.45	265,145,824.52
Total	6,609,992,495.21	4,120,980,645.09	5,543,685,104.39	3,224,535,228.54

(Continued)

Item	2015		2014	
	Income	Costs	Income	Costs
Main business	5,778,512,503.83	3,579,283,230.20	5,131,895,719.62	2,944,535,587.78
Include: Garbage power generation income	751,801,846.51	303,990,096.87	650,452,206.78	251,030,225.34
Construction and Installation	1,129,617,089.06	988,411,227.17	849,581,910.42	752,818,318.95
Incineration and spare parts income	673,216,417.87	582,282,592.66	440,273,704.36	374,303,158.74
Technical support services fee	85,506,462.96	75,248,054.94	28,807,566.74	25,246,059.39
Water supply sales	984,024,367.21	774,598,799.26	943,421,175.93	724,840,522.81
Wastewater treatment of income	2,081,796,990.92	826,215,733.95	2,146,922,809.76	783,474,359.93
Others	72,549,329.30	28,536,725.35	72,436,345.63	32,822,942.62
Other business	659,731,426.88	371,315,916.73	489,288,103.46	307,103,566.15
Total	6,438,243,930.71	3,950,599,146.93	5,621,183,823.08	3,251,639,153.93

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

(Continued)

Item	2013	
	Income	Costs
Main business	4,718,843,621.66	2,482,256,262.92
Include: Garbage power generation income	526,994,498.38	279,494,162.86
Construction and Installation	437,942,508.24	374,575,968.43
Incineration and spare parts income	318,521,945.34	285,590,703.44
Technical support services fee	51,237,134.53	47,501,107.16
Water supply sales	889,640,097.45	660,876,267.21
Wastewater treatment of income	2,338,947,988.00	744,848,402.62
Others	155,559,449.72	89,369,651.20
Other business	441,819,726.88	330,640,200.51
Total	5,160,663,348.54	2,812,896,463.43

### *Income from top 5 customers*

*Jan.-Nov., 2016*

Customer	Amount	Accounts for the proportion of total revenue
Customer 1	2,004,113,588.86	30.32%
Customer 2	228,991,671.38	3.46%
Customer 3	117,913,997.97	1.78%
Customer 4	56,112,177.98	0.85%
Customer 5	55,638,045.82	0.84%
Total	2,462,769,482.01	37.25%

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**APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT**

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2015

<b>Customer</b>	<b>Amount</b>	<b>Accounts for the proportion of total revenue</b>
Customer 1	2,186,130,910.13	33.96%
Customer 2	295,672,305.90	4.59%
Customer 3	242,406,591.68	3.77%
Customer 4	132,675,271.60	2.06%
Customer 5	81,140,886.70	1.26%
Total	2,938,025,966.01	45.64%

2014

<b>Customer</b>	<b>Amount</b>	<b>Accounts for the proportion of total revenue</b>
Customer 1	2,218,716,333.46	39.47%
Customer 2	226,055,580.75	4.02%
Customer 3	133,186,168.31	2.37%
Customer 4	62,405,408.52	1.11%
Customer 5	53,800,174.79	0.96%
Total	2,694,163,665.83	47.93%

2013

<b>Customer</b>	<b>Amount</b>	<b>Accounts for the proportion of total revenue</b>
Customer 1	2,405,261,737.60	46.61%
Customer 2	205,280,035.99	3.98%
Customer 3	126,455,167.03	2.45%
Customer 4	25,701,127.98	0.50%
Customer 5	24,825,844.20	0.48%
Total	2,787,523,912.8	54.02%

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**APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT**

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**47. Tax and surcharges**

<b>Item</b>	<b>Jan.-Nov., 2016</b>	<b>Jan.-Nov., 2015</b>
Vehicle and vessel use tax	74,045.94	
Urban maintenance and construction tax	34,442,785.28	17,505,144.87
Property tax	7,698,632.12	125,697.12
Education Surcharge	14,788,904.53	7,677,954.81
Land use charge	19,993,541.84	
Increment tax on land value	6,000.00	
Consumption tax		
Stamp duty	1,144,628.23	
Business tax	17,892,594.52	18,575,670.57
Resources tax		25,556.50
Others	2,321,493.15	4,914,636.96
<b>Total</b>	<b>98,362,625.61</b>	<b>48,824,660.83</b>

(Continued)

<b>Item</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Vehicle and vessel use tax			
Urban maintenance and construction tax	22,098,982.67	8,788,665.72	7,776,955.84
Property tax			
Education Surcharge	9,669,687.14	4,162,911.62	3,428,407.01
Land use charge			
Increment tax on land value			
Consumption tax		1,425.25	
Stamp duty			
Business tax	39,546,994.12	35,235,975.08	24,377,012.81
Others	927,040.42	551,350.47	151,956.77
<b>Total</b>	<b>72,242,704.35</b>	<b>48,740,328.14</b>	<b>35,734,332.43</b>

*Note:* Criteria for meter payment of the taxes and surcharges are shown in Note V. Taxes.

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

### 48. Selling expenses

Item	Jan.-Nov., 2016	Jan.-Nov., 2015 (unaudited)
Employee compensation	55,802,810.61	47,555,812.96
Depreciation and amortization	3,286,759.88	2,862,288.98
Repair charge	25,801,124.93	61,077,732.17
Advertising, exhibitions and publicity conference fee		97,115.23
Entertainment expenses	1,438,382.28	1,163,604.24
Office allowance	1,057,595.59	916,152.17
Travel expenses	3,320,680.54	3,917,857.77
Rental Fee	120,835.57	13,451.53
Others	13,562,126.75	12,062,485.92
<b>Total</b>	<b>104,390,316.15</b>	<b>129,666,500.97</b>

(Continued)

Item	2015	2014	2013
Employee compensation	60,471,665.11	53,010,669.84	45,974,828.64
Depreciation and amortization	3,862,001.81	3,101,333.54	2,649,890.00
Repair charge	110,606,546.38	77,395,936.39	1,548.00
Advertising, exhibitions and publicity conference fee	184,675.23	368,811.50	228,856.22
Entertainment expenses	2,777,500.67	1,373,825.01	588,098.30
Office allowance	388,228.11	282,361.61	270,334.67
Travel expenses	185,524.00	153,759.50	1,142,830.83
Rental Fee	13,451.53	112,937.60	
Others	18,753,784.47	14,523,939.50	11,590,788.01
<b>Total</b>	<b>197,243,377.31</b>	<b>150,323,574.49</b>	<b>62,447,174.67</b>

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**APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT**

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**49. Administrative expenses**

<b>Item</b>	<b>Jan.-Nov., 2016</b>	<b>Jan.-Nov., 2015 (unaudited)</b>
Security fee	3,149,853.40	557,212.59
Office allowance	14,088,892.05	12,434,118.93
Travel expenses	10,412,263.77	3,551,483.67
Director's Expenses	1,007,782.94	70,187.26
Conference promotional fee	4,459,635.77	2,153,872.52
Conference expenses	165,037.08	
Labor insurance	2,955,382.85	503,276.66
Service charge	4,101,447.14	624,718.41
Green leasing fee	12,333,624.04	2,025,916.03
Sewage charge	258,053.95	88,446,117.36
Taxes	33,069,793.07	11,612,626.96
Court costs	1,028,339.95	40,715.60
Property management for utilities	13,050,405.31	11,020,770.39
Repair charge	199,303,082.36	164,389,328.83
Research and development	9,102,876.75	13,947,037.82
Entertainment expenses	5,540,249.50	28,017.00
Transport charges	9,823,354.08	12,395,749.94
Depreciation and amortization	43,594,057.70	36,760,983.84
Employee compensation	251,461,840.08	218,741,555.42
Agent Fee	12,909,159.29	2,230,473.45
Consulting fees	7,203,794.70	7,667,281.52
Others	40,239,961.03	5,555,544.19
<b>Total</b>	<b>679,258,886.81</b>	<b>594,756,988.39</b>

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

(Continued)

Item	2015	2014	2013
Security fee	557,212.59	329,330.72	80,014.43
Office allowance	12,434,118.93	4,748,357.52	4,408,182.67
Travel expenses	3,551,483.67	3,451,204.88	4,521,684.86
Director's Expenses	70,187.26	173,105.14	
Conference promotional fee	2,153,872.52	2,008,765.81	
Labor insurance	503,276.66	636,543.69	
Service charge	624,718.41	187,765.16	
Green leasing fee	2,025,916.03	2,415,436.21	1,221,585.10
Sewage charge	88,446,117.36	89,107,833.71	92,578,082.33
Taxes	12,098,513.74	6,459,793.44	4,680,190.67
Amortization of intangible assets	7,324,058.55	8,299,930.44	6,540,065.85
Property management for utilities	14,835,437.10	17,413,201.59	15,762,032.01
Repair charge	238,242,013.18	223,034,642.71	139,567,148.99
Research and development	10,810,941.29	13,947,037.82	11,730,152.02
Entertainment expenses	28,017.00	4,876,748.78	5,813,404.72
Transport charges	11,865,959.93	13,165,986.49	12,937,531.79
Depreciation and amortization	31,917,285.65	30,161,506.77	29,129,846.53
Employee compensation	306,240,412.77	264,448,196.24	234,511,249.37
Agent Fee	2,230,473.45	1,607,954.67	1,268,550.07
Consulting fees	43,407,222.72	43,122,800.64	34,969,595.76
Others	5,555,544.19	5,520,516.88	8,796,811.80
<b>Total</b>	<b>794,922,783.00</b>	<b>735,116,659.31</b>	<b>608,516,128.97</b>

### 50. Financial expenses

Item	Jan.-Nov., 2016	Jan.-Nov., 2015 (unaudited)
Interest expense	148,127,897.74	173,105,019.64
Minus: Interest income	70,847,354.74	65,261,740.43
Exchange Gains Or Losses	96,433,542.25	26,748,806.76
Service charge	935,019.26	389,785.23
Others	-54,350.75	240,615.37
<b>Total</b>	<b>174,594,753.76</b>	<b>135,222,486.57</b>



## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

(Continued)

Item	2015	2014	2013
Interest expense	181,888,672.46	294,528,449.41	221,332,413.56
Minus: Interest income	97,126,020.64	110,702,993.51	99,106,664.33
Exchange Gains Or Losses	39,753,649.42	-78,869,194.45	-213,287,048.84
Service charge	389,785.23	3,944,886.72	14,932,795.00
Others	907,293.20	386,071.15	335,328.52
Total	125,813,379.67	109,287,219.32	-75,793,176.09

### 51. Assets impairment loss

Item	Jan.-Nov., 2016	Jan.-Nov., 2015 (unaudited)
Loss on bad debts	78,636,857.60	17,906,173.94
Loss on inventory impairment		
Available-for-sale financial asset impairment losses		
Loss of impairment on held-to-maturity investments		
Long-term equity investment impairment losses		
Investment real estate impairment losses		
Fixed asset impairment losses	6,005,578.40	
Engineering material impairment losses		
Construction-in-progress impairment losses		
Productive biological asset impairment losses		
Oil and gas asset impairment losses		
Intangible asset impairment losses	1,879,095.60	
Goodwill impairment; Goodwill impairment losses		
Others		
Total	86,521,531.60	17,906,173.94

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

(Continued)

Item	2015	2014	2013
Loss on bad debts	42,601,822.53	33,479,067.85	12,843,243.77
Inventory falling price loss		4,277,157.50	
Available-for-sale financial asset impairment losses			1,727,805.00
Loss of impairment on held-to-maturity investments			
Long-term equity investment impairment losses			143,139,287.85
Investment real estate impairment losses			
Fixed asset impairment losses	37,207,853.53		
Engineering material impairment losses	2,823,270.00		
Construction-in-progress impairment losses			
Productive biological asset impairment losses			
Oil and gas asset impairment losses			
Intangible asset impairment losses			
Goodwill impairment; Goodwill impairment losses			
Others			
<b>Total</b>	<b>82,632,946.06</b>	<b>37,756,225.35</b>	<b>157,710,336.62</b>

### 52. Gain on changes of fair values

Item	Jan.-Nov., 2016	Jan.-Nov., 2015 (unaudited)
Measured by fair values, financial assets and its variation are included in the current profits.		
Include: changes in fair value of derivative financial instruments gain		
Measured by fair values, financial liabilities and its variation are included in the current profits.		
Investment Real Estate Measured by fair values		
<b>Total</b>		

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

(Continued)

Item	2015	2014	2013
Measured by fair values, financial assets and its variation are included in the current profits.	-350,056.02	742,449.39	423,318.12
Include: changes in fair value of derivative financial instruments gain			
Measured by fair values, financial liabilities and its variation are included in the current profits.			
Investment Real Estate Measured by fair values			
Total	-350,056.02	742,449.39	423,318.12

### 53. Investment income

Item	Jan.-Nov., 2016	Jan.-Nov., 2015 (unaudited)
Long-Term Equity Investment by equity method	54,680,586.10	34,732,830.65
Investment income from disposal of long-term equity investment		
Investment income during holding period return measured by fair values and its variation is included in the current profits.		2,757,162.24
Investment income measured by fair values and its variation is included in the current profits.		
Investment income of Held-to-maturity investment in holding period.		
Investment income of available-for-sale financial asset in holding period.	32,993,647.92	32,447,586.35
Investment income from disposal of available – for – Sale financial assets	-88,055.49	
After losing control, rest of the profits generated by the fair value measurement		
Others	74,587,977.01	146,240,378.35
Total	162,174,155.54	216,177,957.59

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**APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT**

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(Continued)

<b>Item</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Long-Term Equity Investment by equity method	83,337,125.76	56,747,424.11	46,549,287.00
Disposal gains on non-current assets held for sale		-53,172,920.70	
Investment income during holding period return measured by fair values and its variation is included in the current profits.		32,898.80	217,005.23
Investment income measured by fair values and its variation is included in the current profits.	3,107,218.26	204,568.18	
Investment income of Held-to-maturity investment in holding period.		119,166,805.83	41,875,000.02
Investment income of available-for-sale financial asset sin holding period.	32,441,776.02	29,114,309.08	254,331,048.46
Investment income from disposal of available – for – Sale financial assets	-5,066.49	-130,354.88	
Others	162,947,045.02	44,553,561.64	
<b>Total</b>	<b>281,828,098.57</b>	<b>196,516,292.06</b>	<b>342,972,340.71</b>

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**APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT**

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**54. Non-operating income**

<b>Item</b>	<b>Jan.-Nov., 2016</b>		<b>Jan.-Nov., 2015 (unaudited)</b>	
	<b>Occurrence amount</b>	<b>Included in the current amount of non-recurring gains and losses</b>	<b>Occurrence amount</b>	<b>Included in the current amount of non-recurring gains and losses</b>
Total disposal gains on non-current assets	5,696,782.54	5,378,192.91	1,035,499.76	1,035,499.76
Include: Disposal gains on fixed assets	5,656,490.19	5,378,192.91	1,035,499.76	1,035,499.76
Disposal gains on intangible assets				
Gains from debt restructuring				
Non-monetary assets Exchange profits				
Acceptance of Donations	251,947.27		729,792.50	729,792.50
Government grants (see table below: detail of Government grants)	244,659,880.81	170,633,914.44	120,202,360.65	94,128,272.89
Others	59,698,972.51	46,528,881.16	30,294,403.52	30,294,403.52
<b>Total</b>	<b>310,307,583.13</b>	<b>222,540,988.51</b>	<b>152,262,056.43</b>	<b>126,187,968.67</b>

**APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT**

(Continued)

Item	2015		2014	
	Occurrence amount	Included in the current amount of non-recurring gains and losses	Occurrence amount	Included in the current amount of non-recurring gains and losses
Total disposal gains on non-current assets	1,187,386.56	1,187,386.56	295,455.76	295,455.76
Include: Disposal gains on fixed assets	1,187,386.56	1,187,386.56	295,455.76	295,455.76
Disposal gains on intangible assets				
Gains from debt restructuring				
Non-monetary assets Exchange profits				
Acceptance of Donations	32,000.00	32,000.00		
Government grants (see table below: detail of Government grants)	212,456,680.17	24,968,125.80	172,810,754.72	18,285,959.20
Others	34,987,819.97	34,987,819.97	32,291,899.46	32,291,899.46
Total	248,663,886.70	61,175,332.33	205,398,109.94	50,873,314.42

(Continued)

Item	2013	
	Occurrence amount	Included in the current amount of non-recurring gains and losses
Total disposal gains on non-current assets	1,432,291.58	1,432,291.58
Include: Disposal gains on fixed assets	1,432,291.58	1,432,291.58
Disposal gains on intangible assets		
Non-monetary assets Exchange profits		
Acceptance of Donations	27,000.00	27,000.00
Government grants	205,700,892.52	196,623,293.59
Others	29,603,276.26	29,603,276.26
Total	236,763,460.36	227,685,861.43

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

### *Details of public subsidies*

Project	Jan.-Nov. in 2016	2015	2014	2013	Related to assets/Related to income
Realgar dehydration machine project	778,353.33				Related to assets
Binjiang Road Pipe Network Project	169,671.70				Related to assets
Denitrification and phosphorus removal project	539,814.77	588,888.84			Related o assets
Financial subsidies of Peiling 175 water storage pipeline administration	7,241.63				Related to assets
Peiling NO.1 Middle School engineering subsidies	58,268.54	63,565.68			Related to assets
Drainage and emergency rescuing subsidies of Hejiagou and Pei No.1 Middle School					Related to assets
Environmental protection online monitoring system	738,249.11	1,080,232.42	953,129.84	1,920,981.76	Related to assets
Drought-relief funds	24,444.42				Related to assets
Special fund of renewable energy development	19,804.00	79,216.00	79,216.00	19,600.00	Related to assets
Whole removal of Southern Pressure Station					Related to assets
Public subsidies of integrated engineering of Nanshan water supply		2,000,000.00			Related to assets
Special fund of city sewage and garbage disposal in Shandong Province	475,609.43	481,448.85	236,801.18		Related to assets
City Environmental Protection Special payments data collection instrument	79,518.94	90,643.56			Related to assets
Deferred earning amortization for water special project	581,547.18	635,294.76	635,294.76	1,123,513.76	Related to assets
Tuqiao Pump Station	12,253.42				Related to assets
Project rectification fund	275,837.02				Related to assets
Special subsidy of new type industrialization	301,950.00	768,178.08	301,528.08	301,528.08	Related to assets
Special fund of new type industrialization development R&D Center	276,400.74				Related to assets
Yaozikou Water Plant DN300 DN250 feed water piping extend to Wansheng Avenue	51,944.42				Related to assets

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

Project	Jan.-Nov. in 2016	2015	2014	2013	Related to assets/Related to income
Yaozikou Water Plant to Donglin Square DN300 pipeline	67,935.34				Related to assets
Immigrant resettlement subsidies	162,959.46				Related to assets
Fill Inlet to award funding	2,213,742.74	2,886,262.40	3,144,651.68	4,078,806.24	Related to assets
Southern Pressure Station wholly removed	467,434.11	692,881.02	541,985.07	804,846.38	Related to assets
Capping engineering of pool in water control plant	10,431.63				Related to assets
Dadukou District Scientific and Technological Plan award in 2013			170,000.00		Related to income
International market exploration fund of medium-small enterprises in 2014		103,000.00			Related to income
Scientific innovations award fund of Finance Bureau in 2012				220,000.00	Related to income
Finance discount	841,770.83	973,333.34	973,333.34		Related to income
Water supply engineering finance subsidies of sinkholes in coal mining		130,777.95			Related to income
City public utility additional return					Related to income
Innovative cultivation plan project	104,756.00	322,276.90			Related to income
Dadukou District Innovation Award in 2015					Related to income
Dadukou District Innovation Award Fund in 2015		570,000.00			Related to income
Dadukou District Invention Patent Result (Garbage incinerator's inner hearth construction method) award			100,000.00		Related to income
Dadukou District Foreign Trade appropriated special fund of business development in 2013			9,000.00		Related to income
Dadukou Foreign Trade and Economy Commission "International exploration fund of medium-small enterprise in 2013"			72,000.00		Related to income
Special fund of well head engineering safety in Geleshan	60,597.38	185,096.40		2,210,000.00	Related to income
Earlier stage loss-compensation of well head engineering in Geleshan				8,000,000.00	Related to income
Water supply separation				13,916,200.00	Related to income



## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

Project	Jan.-Nov. in 2016	2015	2014	2013	Related to assets/Related to income
Water supply facility renovation subsidies	83,645.87	1,027,198.93			Related to income
Legal status approval subsidies of relevant patent technique involving in garbage power joint venture cooperation		100,000.00			Related to income
Guandu enterprise subsidies			100,000.00		Related to income
Enterprise award of Finance Bureau in Guandu District			150,000.00		Related to income
National level key new product subsidies (INC600)	8,333.33	28,934.19			Related to income
Environment protection interest subsidy				400,000.00	Related to income
Financial appropriation of benefiting people subsidies		500,000.00			Related to income
Special fund loan financial discount fund of energy saving infrastructure	137,500.00	150,000.00	150,000.00	150,000.00	Related to income
Entry factory road rectification fund				745,666.32	Related to income
Key technique research project of garbage flying ash harmless disposal applied in metallurgy blast furnace				300,000.00	Related to income
Garbage gasification burning new technology R&D and industrialization	7,241.00	45,000.00			Related to income
Mixed stowage technique research project of garbage landfill leachate				150,000.00	Related to income
Financial award work expenditure of Nan' an District		-	1,686,880.00		Related to income
Income tax refund of high-new enterprise of district finance in 2011				200,000.00	Related to income
VAT refund award of new product financial subsidies of district finance in 2012				460,000.00	Related to income
Exploration capital of medium-small enterprise issued by district finance in 2012				37,200.00	Related to income
Patent subsidies of district finance			9,000.00		Related to income
Patent subsidies of District IPO Bureau in 2014		19,700.00			Related to income

**APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT**

<b>Project</b>	<b>Jan.-Nov. in 2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>Related to assets/Related to income</b>
Temporary subsidies of Shandong Province Development and Reform Commission (add electricity generation income)	1,188,658.99				Related to income
Import technique interest subsidy fund of municipal finance				300,000.00	Related to income
Patent subsidy of municipal finance			2,400.00		Related to income
Technique renovation R&D subsidy of export enterprise by municipal government		20,000.00			Related to income
Additional return of municipal government	121,831,385.08	131,451,685.45	131,704,058.81	119,400,000.00	Related to income
Receiving IPO award of Municipal Finance Bureau		10,000.00			Related to income
Tax refund	1,058,257.02				Related to income
Land use tax refund			499,769.00		Related to income
Steady work subsidy	2,857,593.00	3,421,541.38			Related to income
Steady work subsidy income	275,414.77	281,189.99			Related to income
Sludge transportation expenditure subsidy	27,345,000.00	23,630,000.00	15,253,000.00	34,606,000.00	Related to income
Central special fund budget of pollutant emission reduction				1,640,000.00	Related to income
Rectification fund subsidy of sewage disposal factory		302,025.96			Related to income
Hygiene production approval and preparation subsidy of County Environmental Protection Bureau			22,000.00		Related to income
Fire hydrant maintenance expense subsidy		2,100,000.00	2,270,000.00	2,100,000.00	Related to income
Yuzuida Water Factory operation subsidiary	4,320,000.00				Related to income
VAT levy-refund	72,255,760.20	32,406,868.92	7,567,736.71	9,077,598.93	Related to income
Knowledge patent fund		2,000.00			Related to income
Patent award of District Finance Bureau in Chongqing		2,000.00			Related to income
Project award of Chongqing Electricity Industrial Association in 2015		6,000.00			Related to income

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

Project	Jan.-Nov. in 2016	2015	2014	2013	Related to assets/Related to income
Dadukou District Finance Award of Chongqing Famous Brand Product	250,000.00		50,000.00		Related to income
National level intellectual property advantageous enterprise" subsidy by Chongqing Intellectual Property Bureau			20,000.00		Related to income
Enterprise patent excavation and layout subsidy of Chongqing Intellectual Property Bureau			10,000.00		Related to income
Chongqing famous brand award			50,000.00		Related to income
Fund of patent subsidizing Chongqing intellectual Property Bureau		5,740.00			Related to income
UV-light special rectification		107,986.80			Related to income
Water utilization subsidy of tap water		300,000.00			Related to income
Tax refund of headquarter enterprise	105,500.00				Related to income
Capping project of Water Pool Phase II	22,688.05				Related to income
Others	4,592,367.36	4,887,712.35	6,048,970.25	3,538,951.05	Mixed type
Total	244,659,880.81	212,456,680.17	172,810,754.72	205,700,892.52	

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**APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT**

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**55. Non-operating expenses**

<b>Item</b>	<b>Jan.-Nov., 2016</b>		<b>Jan.-Nov., 2015 (unaudited)</b>	
	<b>Occurrence amount</b>	<b>Included in the current amount of non-recurring gains and losses</b>	<b>Occurrence amount</b>	<b>Included in the current amount of non-recurring gains and losses</b>
Total disposal gains on non-current assets	812,924.90	812,924.90	598,336.61	598,336.61
Include: Disposal losses on fixed assets	804,255.34	804,255.34	598,336.61	598,336.61
Disposal losses on intangible assets				
Losses from debt restructuring	4,506,041.10	4,506,041.10		
Non-monetary assets Exchange profits				
Acceptance of Donations	1,611,732.89	1,611,732.89	1,700,007.57	1,700,007.57
Penalties and late fees expenses	275,000.00	275,000.00	269,273.69	269,273.69
Others	2,171,901.99	2,171,901.99	3,702,232.75	3,702,232.75
<b>Total</b>	<b>9,377,600.88</b>	<b>9,377,600.88</b>	<b>6,269,850.62</b>	<b>6,269,850.62</b>

**APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT**

(Continued)

Item	2015		2014	
	Occurrence amount	Included in the current amount of non-recurring gains and losses	Occurrence amount	Included in the current amount of non-recurring gains and losses
Total disposal losses on non-current assets	7,802,976.25	7,802,976.25	5,253,166.11	5,253,166.11
Include: Disposal losses on fixed assets	7,802,976.25	7,802,976.25	5,253,166.11	5,253,166.11
Disposal gains on intangible assets				
Losses from debt restructuring				
Non-monetary assets Exchange profits			900,000.00	900,000.00
Acceptance of Donations	5,699,900.00	5,699,900.00	3,847,918.87	3,847,918.87
Penalties and late fees expenses	2,877.96	2,877.96		
Others	3,863,518.30	3,863,518.30	3,362,764.19	3,362,764.19
Total	17,369,272.51	17,369,272.51	13,363,849.17	13,363,849.17

(Continued)

Item	2013	
	Occurrence amount	Included in the current amount of non-recurring gains and losses
Total disposal losses on non-current assets	3,638,857.01	3,638,857.01
Include: Disposal losses on fixed assets	3,638,857.01	3,638,857.01
Disposal losses on intangible assets		
Scrapping of fixed assets net loss		
Losses from debt restructuring		
Non-monetary assets Exchange profits	507,679.96	507,679.96
Acceptance of Donations	12,192,888.39	12,192,888.39
Penalties and late fees expenses	10,000.00	10,000.00
Others	8,931,012.58	8,931,012.58
Total	25,280,437.94	25,280,437.94

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**APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT**

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**56. Income tax expenses***(1) Income tax expenses list*

<b>Item</b>	<b>Jan.-Nov., 2016</b>	<b>Jan.-Nov., 2015 (unaudited)</b>
Current income tax expenses	101,520,345.57	52,547,852.41
Deferred income tax expenses	1,948,951.50	1,153,114.64
Income tax refund		
Others	-570,448.85	
<b>Total</b>	<b>102,898,848.22</b>	<b>53,700,967.05</b>

(Continued)

<b>Item</b>	<b>2015 year</b>	<b>2014 year</b>	<b>2013 year</b>
Current income tax expenses	111,775,698.51	108,781,069.22	65,939,620.34
Deferred income tax expenses	-15,413,241.67	-37,767,552.24	31,243,704.04
Income tax refund	1,045,215.23		
Others	-46,912,478.15	-61,569,821.82	-17,356,229.82
<b>Total</b>	<b>50,495,193.92</b>	<b>9,443,695.16</b>	<b>79,827,094.56</b>

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**APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT**

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*(2) Accounting profit and income tax expenses adjustment process*

<b>Item</b>	<b>Jan.-Nov., 2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Total profit	1,808,987,873.98	1,727,562,250.13	1,677,613,664.76	2,114,030,769.76
Income tax expense calculated at statutory/The applicable tax rate	452,246,968.50	431,890,562.53	419,403,416.18	528,507,692.44
Effect of different tax rates applicable to subsidiaries	-145,479,035.34	-133,014,104.73	-165,887,909.79	-215,398,272.67
Effect of adjustments for income tax for prior periods	2,113,417.29	1,045,215.23	-1,862,589.93	-8,776,668.82
Effect of income not subject to tax	-337,918,005.04	-206,967,567.99	-335,918,084.61	-208,530,315.29
Effect of costs, expenses and loss not deductible for tax purposes	132,103,232.44	10,266,534.50	155,589,038.80	334,845.85
Effect of utilisation of previously unrecognised deductible loss on deferred income tax assets		-619,606.44	-4,014,716.30	
Effect of current unrecognized deductible temporary difference or deductible loss arising from deferred tax income assets	-167,729.63	-465,179.45	18,614,303.15	
Tax adjustment leads to changes in deferred tax assets/liabilities outstanding at the beginning				
Others		-51,640,659.73	-76,479,762.34	-16,310,186.95
Income tax expense	102,898,848.22	50,495,193.92	9,443,695.16	79,827,094.56

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

### 57. Items of cash flow statement

#### (1) Cash received relating to other operating activities

Item	Jan.-Nov., 2016	Jan.-Nov., 2015 (unaudited)
Deposit	279,834,549.12	111,481,654.40
Staff petty cash	1,185,064.12	1,952,865.10
Interest income	49,021,877.23	57,877,750.80
Government grants	205,398,421.52	186,700,947.00
Intercourse funds	322,791,733.14	72,153,806.70
The collecting of Sino-French Tang jiatuo sewage treatment fees	167,789,841.40	290,655,667.71
Received tap water collecting sewage treatment and garbage disposal funds	66,233,208.80	50,825,300.53
Received rebate of social insurance and housing provident funds	1,228,393.96	1,994,615.20
Others	893,587.73	889,594.51
<b>Total</b>	<b>1,094,376,677.02</b>	<b>774,532,201.95</b>

(Continued)

Item	2015	2014	2013
Deposit	128,062,374.88	198,382,048.65	185,282,040.21
Staff petty cash	1,661,019.01	984,720.80	1,212,036.87
Interest income	82,609,426.47	117,249,959.43	82,834,408.08
Government grants	169,525,738.39	161,410,360.07	51,930,076.60
Intercourse funds	54,203,159.41	374,041,849.92	219,014,890.84
Collect service charges of Tang jiatuo sewage treatment	302,799,528.76	232,152,181.24	146,178,190.50
Received tap water charge collecting sewage and garbage treatment charges	85,435,993.78	52,085,526.26	52,826,690.15
Received rebate of social insurance and housing provident funds	1,994,615.20	1,803,029.70	15,969,346.41
Received technical support fees	4,710,821.06	4,987,044.03	4,109,486.67
Others	1,464,656.38	5,985,397.41	25,371,632.58
<b>Total</b>	<b>832,467,333.34</b>	<b>1,149,082,117.51</b>	<b>784,728,798.91</b>



## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

(2) *Cash payments relating to other operating activities*

Item	Jan.-Nov., 2016	Jan.-Nov., 2015 (unaudited)
Deposit	239,983,459.41	130,242,809.45
Collect service charges of Tang jiatuo sewage treatment	167,789,841.40	302,799,528.76
Period costs	207,833,362.39	121,162,275.04
Intercourse funds	230,571,018.47	158,430,600.07
Donations for public welfare expenditure	750,000.00	949,900.00
Staff petty cash	7,132,309.37	11,593,143.99
Received rebate of social insurance and housing provident funds	1,025,964.10	639,765.13
Tap water fee collection for sewage and garbage treatment charges	112,102,468.83	56,548,894.47
Pay Retirees costs	17,652,376.26	
Others	16,192,166.36	3,583,034.78
<b>Total</b>	<b>1,001,032,966.59</b>	<b>785,949,951.69</b>

(Continued)

Item	2015	2014	2013
Deposit	265,001,542.75	433,413,496.47	96,230,244.13
Collect service charges of Tang jiatuo sewage treatment	302,799,528.76	232,152,181.24	146,178,190.50
Donations for public welfare expenditure	2,949,900.00	900,000.00	507,679.96
Period costs	202,678,316.76	145,088,388.52	268,391,232.42
Intercourse funds	224,985,100.85	387,925,913.38	146,883,108.20
Non-operating expenses	250,000.00	16,570.00	110,000.00
Staff petty cash	3,738,480.84	6,270,325.10	5,254,870.27
Received rebate of social insurance and housing provident funds	639,765.13	1,325,221.22	10,327,609.30
Tap water fee collection for sewage and garbage treatment charges	56,548,894.47	58,314,662.12	45,736,419.80
Pay Retirees costs	0	21,301,895.01	21,425,754.95
Others	3,583,034.78	4,876,729.18	0
<b>Total</b>	<b>1,063,174,564.34</b>	<b>1,291,585,382.24</b>	<b>741,045,109.53</b>

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

### (3) Cash received relating to other investing activities

Item	Jan.-Nov., 2016	Jan.-Nov., 2015 (unaudited)
Safety risk deposit	2,005,400.00	2,000,000.00
Accept guarantee money	4,153,073.15	442,877.59
Financing, sales and services		27,923,101.66
Test run of project under construction	109,324,251.22	
Compensation of the project	20,749,793.34	
Refund of relocation fee	6,837,000.00	
Others	60,374,291.77	
Government grants funds	2,114,224.83	30,397,852.14
Merge the newly acquired subsidiary businesses	10,256,185.08	
Received Repay shareholder loans form Chongqing Sino-French Water Supply Co., Ltd.		9,580,108.25
<b>Total</b>	<b>215,814,219.39</b>	<b>70,343,939.64</b>

(Continued)

Item	2015	2014	2013
Safety risk deposit	2,000,000.00	2,000.00	6,100.00
Financing, sales and services charges	29,185,000.00		
Received Repay shareholder loans form Chongqing Sino-French Water Supply Co., Ltd.	9,580,108.25	10,274,873.62	10,855,943.53
Accept project guarantee money	442,877.59	1,649,120.00	4,288,831.07
Receive Return and payment penalty of Yuneng Yi bai Real Estate	0	0	4,106,610.18
Receive Project compensation of Yuzui new Water Plant Project	0	11,879,764.14	6,180,000.00
Government grants	30,397,852.14	7,123,366.05	33,507,246.33
others	428,604.80	7,020,129.32	27,447,679.36
<b>Total</b>	<b>72,034,442.78</b>	<b>37,949,253.13</b>	<b>86,392,410.47</b>

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

*(4) Cash payments relating to other investing activities*

Item	Jan.-Nov., 2016	Jan.-Nov., 2015 (unaudited)
Deposit	4,641,274.55	1,031,855.00
Financing, sales and services fees		24,246,205.00
Others	1,618,164.43	5,366,654.52
Total	6,259,438.98	30,644,714.52

(Continued)

Item	2015	2014	2013
Deposit	345,200.00	4,510,257.70	10,662,968.31
Give out Entrusted loan fees of Hechuan Rural Agricultural Investment Group Co., Ltd.		900,000.00	
Pay Plant relocation compensation funds in Qin jiagang			1,403,920.00
Others	356,167.14	8,279,311.79	5,366,654.52
Financing, sales and services funds	43,444,960.00		-
Return of government grant funds	6,000,000.00		-
Total	50,146,327.14	13,689,569.49	17,433,542.83

*(5) Cash received relating to other financing activities*

Item	Jan.-Nov., 2016	Jan.-Nov., 2015 (unaudited)
Inter – Enterprise Loan Funds received	9,500,000.00	
Total	9,500,000.00	

(Continued)

Item	2015	2014	2013
Inter – Enterprise Loan Funds received		210,000,000.00	87,000,000.00
Government grants related to assets		10,000,000.00	
Total		220,000,000.00	87,000,000.00

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

### (6) Cash payments relating to other financing activities

Item	Jan.-Nov., 2016	Jan.-Nov., 2015 (unaudited)
Pay back Borrowing funds between enterprises	19,385,862.65	140,000,000.00
Total	19,385,862.65	140,000,000.00

(Continued)

Item	2015	2014	2013
Pay back Borrowing funds between enterprises	140,000,000.00	167,004,861.06	
Total	140,000,000.00	167,004,861.06	

### 58. Supplementary information on cash flow statement

#### (1) Supplementary information on cash flow statement

Supplementary Information	Jan.-Nov., 2016	Jan.-Nov., 2015 (unaudited)	2015 year	2014 year	2013 year
<b>1. Reconciliation of net profit as cash flows from operating activities</b>					
Net profit	1,706,089,025.76	1,701,242,261.50	1,677,067,056.21	1,668,169,969.60	2,034,203,675.20
Plus: depreciation of fixed assets	86,521,531.60	17,906,173.94	82,632,946.06	37,756,225.35	157,710,336.62
consumption of oil and gas assets, depreciation of productive biological assets	569,908,955.32	460,482,340.06	585,930,396.34	583,194,520.20	542,068,283.93
Amortizations of intangible assets	168,469,504.92	152,848,951.83	140,475,677.61	125,663,956.02	118,329,891.86
Amortizations of long-term prepaid expenses					
Loss on disposal of fixed assets, intangible assets and other long-term assets ("-" denotes gain)	-4,852,234.85	-437,163.15	6,615,589.69	4,957,710.35	2,206,565.43
Losses on scrapping of fixed assets ("-" denotes gain)	288,184.23	152,409.76	3,202,882.35	3,684,059.26	11,008,736.11
Loss on changes in fair value ("-" denotes gain)			350,056.02	-742,449.39	-423,318.12

**APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT**

<b>Supplementary Information</b>	<b>Jan.-Nov., 2016</b>	<b>Jan.-Nov., 2015 (unaudited)</b>	<b>2015 year</b>	<b>2014 year</b>	<b>2013 year</b>
Finance expenses ("-" denotes gain)	244,561,439.99	199,853,826.40	221,624,275.97	215,649,898.60	6,079,899.47
Investment loss ("-" denotes gain)	-162,174,155.54	-216,177,957.59	-281,828,098.57	-196,516,292.06	-342,972,340.71
Decrease in deferred income tax assets ("-" denotes increase)	-6,681,943.90	-782,878.48	-15,360,733.27	15,940,732.55	-22,517,089.14
Increase in deferred income tax liabilities ("-" denotes decrease)	808,086.90	-541,214.24	-621,184.28	-51,736,773.36	53,760,793.18
Decrease in inventories ("-" denotes decrease)	-31,384,286.81	-322,439,380.63	-344,547,456.61	-222,397,863.71	-11,473,007.02
Decrease in operating receivables ("-" denotes decrease)	-692,637,769.41	-248,195,221.41	-231,700,426.12	-497,002,381.17	54,903,297.17
Increase in operating Payables ("-" denotes increase)	621,760,459.00	681,942,952.92	616,062,501.70	842,612,753.29	180,564,896.01
Others					
Net cash flow from operating activities	2,500,676,797.21	2,425,855,100.91	2,459,903,483.10	2,529,234,065.53	2,783,450,619.99
<b>2. Major investing and financing activities not involving cash settlements:</b>					
Conversion of debt into capital					
Convertible bonds due within one year					
Fixed assets acquired under finance leases					
<b>3. Net change in cash and cash equivalents:</b>					
Closing balances of cash	7,147,965,663.45	6,768,144,734.36	6,647,113,360.81	4,611,900,643.66	5,592,256,918.38
Minus: cash at beginning of year	6,647,113,360.81	4,611,900,643.66	4,611,900,643.66	5,592,256,918.38	4,256,021,901.43
Plus: closing balance of cash					
Minus: cash equivalents at beginning of year					
Net increase in cash and cash equivalents	500,852,302.64	2,156,244,090.70	2,035,212,717.15	-980,356,274.72	1,336,235,016.95

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

### (2) Composition of cash and cash equivalents

Item	30 November 2016	31 December 2015	31 December 2014	31 December 2013
I. Cash	7,147,965,663.45	6,647,113,360.81	4,611,900,643.66	5,592,256,918.38
Include: Treasury cash	192,180.20	129,512.01	204,871.22	136,528.62
Bank deposit that can be used for payment at any time	7,147,122,884.50	6,638,911,323.94	4,607,526,568.11	5,589,225,562.35
Other monetary assets that can be used for payment at any time	650,598.75	8,072,524.86	4,169,204.33	2,894,827.41
Storage of Central Bank funds that is available to pay				
II. Cash equivalents				
Include: debt investment due within three months				
III. Cash Equivalents at the End of the Period	7,147,965,663.45	6,647,113,360.81	4,611,900,643.66	5,592,256,918.38
Include: cash and cash equivalents with using restricted by parent company or subsidiaries within the group				

### 59. Restricted assets of ownership or use

Item	Final book value	Restricted reasons
Monetary capital	14,623,440.16	Funds of Chongqing Housing funding management center
Accounts receivable	210,677,502.17	pledge of long-term loan
Fixed assets	228,508.16	The mortgage of long-term loan
Intangible assets	657,636,641.26	pledge of long-term loan
Investment properties	7,993,060.92	External guarantee
Fixed assets	38,645,841.03	External guarantee
Total	929,804,993.70	

*Note:* The partner of Chongqing Public Utility Construction Co. Ltd., Qi Ye Construction Group Co. Ltd. apply to the court for frozen four entities which are relevant to the disputes of the construction project contract, including Guizhou National Park Travel Service Co. Ltd., Da Haul Engineering Management (group) Co. Ltd., Guizhou Tourism Investment Holding (group) Co. Ltd., Guizhou National Park Investment Holding Group Co. Ltd. the total assets are

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

120 million. According to the court civil verdict (2015QGMCZ52-1) signed by senior people's court in Guizhou province. Chongqing Public Utility Construction Co. Ltd. provides housing to Construction Group Co. Ltd. as guarantee voluntarily since June 4, 2015, and for two years. (Include all fixed assets in its book – housing, investment properties, and the construction area is 25,269.94 square meters, the evaluation value is 113.5966 million,

### 60. Foreign currency monetary items

Item	Closing foreign currency balance	Exchange rate	Closing balance in RMB
Monetary capital	–	–	256,377.53
Include: USD	35,191.91	6.8889	242,434.78
Euro	1,899.92	7.3386	13,942.75
Non-current liabilities due within one year	–	–	44,598,950.31
Include: USD			
Euro	129,528.30	7.3386	950,556.38
Yen	711,859,774.35	0.061316	43,648,393.93
Long-term borrowings	–	–	774,901,372.58
Include: USD	19,906,676.80	6.8889	137,135,105.84
Euro	419,111.49	7.3386	3,075,691.35
Yen	10,351,141,225.65	0.061316	634,690,575.39

## VII. CHANGE IN SCOPE OF CONSOLIDATION

### 1. The profile of combination under common control in 2013

#### (1) Combination under common control in 2013

Name of the combined party	Equity ratio (%)	Basis of combination under common control	Equity gain point	Basis for determining the purchase date
Chongqing Water Group Co., Ltd.	36.6	Controlling shareholder is water asset management company	Jan.1st, 2013	Details see “Basis for Formulation of Financial Statement”
Chongqing San Feng Environment Industrial Group Co., Ltd.	67.086	Controlling shareholder is water asset management company	Jan.1st, 2013	Details see “Basis for Formulation of Financial Statement”

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

(Continued)

Combined party name	Income of combined party from beginning of the year to purchase date	Net profit of combined party from beginning of the year to purchase date	Income of the combined party during the comparative period	Net profit of the combined party during the comparative period
Chongqing Water Group Co., Ltd.				
Chongqing Sanfeng Environment Industrial Group Co., Ltd.				

**(2) Equity acquisition cost**

Equity acquisition cost	Chongqing Water Group Co., Ltd.	Chongqing Sanfeng Environment Industrial Group Co., Ltd.
– Cash		
– Book value of non-cash assets		
– Book value of issued or assumed debt		
– Face value of issued equity securities		
– Contingent of consideration		
– Others	4,534,512,679.77	1,040,538,982.10

**(3) Book value of assets and liabilities of combined party on purchase date**

Project	Chongqing Water Group Co., Ltd.	
	Purchase date	End of previous year
Net assets	12,397,623,706.73	12,397,623,706.73
Minus: Minority stockholder's equity	8,244,800.25	8,244,800.25
Net assets obtained	12,389,378,906.48	12,389,378,906.48



**APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT**

<b>Project</b>	<b>Chongqing Sanfeng Environment Industrial Group Co., Ltd.</b>	
	<b>Purchase date</b>	<b>End of previous year</b>
Net assets	1,857,170,474.28	1,857,170,474.28
Minus: Minority stockholder's equity	306,118,120.44	306,118,120.44
Net assets obtained	1,551,052,353.84	1,551,052,353.84

**2. The profile of combination under common control in 2015**

*(1) Combination under common control in 2015*

<b>Name of the combined party</b>	<b>Equity ratio (%)</b>	<b>Basis of combination under common control</b>	<b>Equity gain point</b>	<b>Basis for determining the purchase date</b>
Chongqing DeRun Environmental Technology Industry Co., Ltd.	66.67	Holding investment	Oct.5th, 2015	According to the investment agreement and business registration

(Continued)

<b>Combined party name</b>	<b>Income of combined party from beginning of the year to purchase date</b>	<b>Net profit of combined party from beginning of the year to purchase date</b>	<b>Income of the combined party during the comparative period</b>	<b>Net profit of the combined party during the comparative period</b>
Chongqing DeRun Environmental Technology Industry Co., Ltd.		-1,954.09		

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

### (2) Equity acquisition cost

Equity acquisition cost	Chongqing DeRun Environmental Technology Industry Co., Ltd.
– Cash	36,000,000.00
– Book value of non-cash assets	
– Book value of issued or assumed debt	
– Face value of issued equity securities	
– Contingent of consideration	
– Others	

### (3) Book value of assets and liabilities of combined party on purchase date

Project	Chongqing DeRun Environmental Technology Industry	
	Purchase date	End of previous year
Net assets	17,998,045.91	
Minus: Minority stockholder's equity		
Net assets obtained	17,998,045.91	

## VIII. INTEREST IN OTHER ENTITIES

### 1. Interest in the subsidiary

#### (1) The constitution of the enterprise group

Name of Subsidiaries	Principal place of business	Registry	Nature of the business	Shareholding (%)		Acquisition	Paid-in capital	The registration date	The registration form
				Directly	Indirectly				
Chongqing San Feng Environment Industrial Group Co., Ltd.	Chongqing	Chongqing	Waste incineration power generation	57.120		Appropriation	1,266,748,296.00	4 December 2009	Limited Liability Company
Chongqing Water Group Co., Ltd.	Chongqing	Chongqing	Public utility	50.04		Appropriation	4,800,000,000.00	11 January 2001	Shares Limited Liability Company
Chongqing DeRun Environmental Technology Industry Co., Ltd.	Chongqing	Chongqing	Environmental protection operations	66.67		Investment	54,000,000.00	5 October 2015	Limited Liability Company

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

### (2) Major non-wholly owned subsidiaries

Name	Report period	Minority interests	Gain or loss attributable to minority interests during the period r	Dividend to minority interests declared during the period	Closing balance of minority interests
Chongqing San Feng Environment Industrial Group Co., Ltd.	Jan.-Nov., 2016	42.880%	144,665,058.71		1,454,757,775.63
	2015	32.914%	163,396,750.32		1,124,722,350.29
	2014	32.914%	118,998,678.09		974,078,015.78
	2013	32.914%	89,670,125.63		918,541,613.48
Chongqing Water Group Co., Ltd.	Jan.-Nov., 2016	49.963%	665,763,126.87	623,532,000.00	6,794,768,859.22
	2015	49.963%	866,126,993.96	631,501,775.80	6,708,711,366.97
	2014	63.400%	918,538,386.47	890,467,675.80	8,407,258,495.38
	2013	63.400%	1,191,730,713.46	841,910,900.00	8,269,683,240.68
Chongqing DeRun Environmental Technology Industry Co., Ltd.	Jan.-Nov., 2016	33.333%	-417,760.66		17,581,588.04
	2015	33.333%	-651.30		17,999,348.70
	2014				
	2013				

### (3) Key financial information of major non-wholly owned subsidiaries

Name	Nov. 30, 2016					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Chongqing San Feng Environment Industrial Co., Ltd.	2,304,063,841.66	6,326,391,395.60	8,630,455,237.26	2,449,305,799.89	2,985,010,306.01	5,434,316,105.90
Chongqing Water Group Co., Ltd.	9,347,928,262.61	11,140,137,791.11	20,488,066,053.72	3,277,658,369.76	3,663,911,679.96	6,941,570,049.72
Chongqing DeRun Environmental Technology Industry Co., Ltd.	54,257,079.24		54,257,079.24	1,512,440.64		1,512,440.64

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

(Continued)

Name	Dec. 31, 2015					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Chongqing San Feng Environment Industrial Co., Ltd.	1,803,833,988.59	4,920,626,234.31	6,724,460,222.90	1,886,402,293.95	2,274,782,372.10	4,161,184,666.05
Chongqing Water Group Co., Ltd.	8,724,016,024.05	10,863,614,361.92	19,587,630,385.97	2,681,870,455.11	3,487,532,534.80	6,169,402,989.91
Chongqing DeRun Environmental Technology Industry Co., Ltd.	18,018,045.91		18,018,045.91	20,000.00		20,000.00

Name	Dec. 31, 2014					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Chongqing San Feng Environment Industrial Co., Ltd.	1,303,866,353.05	3,740,132,775.90	5,043,999,128.95	1,283,239,035.07	1,524,210,435.53	2,807,449,470.60
Chongqing Water Group Co., Ltd.	8,821,190,609.67	11,749,726,899.74	20,570,917,509.41	3,902,489,473.53	3,412,971,691.90	7,315,461,165.43

Name	Dec. 31, 2013					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Chongqing San Feng Environment Industrial Co., Ltd.	1,340,678,051.50	2,988,895,768.33	4,329,573,819.83	816,994,944.99	1,442,080,397.13	2,259,075,342.12
Chongqing Water Group Co., Ltd.	8,254,482,240.88	11,627,592,427.01	19,882,074,667.89	1,546,809,878.63	5,297,274,225.42	6,844,084,104.05

Name	Amounts during Jan.-Nov., 2016			
	Revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Chongqing San Feng Environment Industrial Group Co., Ltd.	2,556,800,444.60	388,262,989.98	388,262,989.98	849,491,746.04
Chongqing Water Group Co., Ltd.	4,053,192,050.61	1,329,867,237.90	1,329,212,668.28	1,670,010,906.96
Chongqing DeRun Environmental Technology Industry Co., Ltd.		-1,253,407.31		225,233.33

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

Name	Amounts during 2015			
	Revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Chongqing San Feng Environment Industrial Group Co., Ltd.	2,116,046,073.70	323,377,674.30	323,377,674.30	408,082,651.48
Chongqing Water Group Co., Ltd.	4,322,197,857.01	1,365,993,548.68	1,362,771,052.08	2,052,404,566.25
D Chongqing DeRun Environmental Technology Industry Co., Ltd.		-1,954.09	-1,954.09	18,045.91

Name	Amounts during 2014			
	Revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Chongqing San Feng Environment Industrial Group Co., Ltd.	1,484,601,807.97	222,804,856.44	222,804,856.44	351,983,253.18
Chongqing Water Group Co., Ltd.	4,136,582,015.11	1,449,239,962.74	1,513,584,781.60	2,177,246,383.36

Name	Amounts during 2013			
	Revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Chongqing San Feng Environment Industrial Group Co., Ltd.	1,161,087,989.19	157,920,503.43	157,920,503.43	510,332,656.89
Chongqing Water Group Co., Ltd.	3,999,575,359.35	1,878,787,203.70	1,898,176,312.25	2,273,117,963.10

### 2. Interests in joint ventures or associates

#### (1) Major joint ventures and associates

Name	Principal place of business	Registry	Nature of the business	Shareholding (%)		Accounting treatment
				Direct	Indirect	
Chongqing Sino-French Water Investment Co., Ltd.	Chongqing	Chongqing	Water supply project and relative business investment	50		Equity method

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

(2) *Key financial information of major joint ventures*

Items	Balance on Nov.30, 2016/ amounts during Jan.-Nov., 2016	Balance on Dec., 31, 2015/ amounts during 2015
	Chongqing Sino-French Water Investment Co., Ltd.	Chongqing Sino-French Water Investment Co., Ltd.
Current assets	1,235,165,942.39	1,051,149,795.41
Including: cash and cash equivalents	693,119,570.11	815,022,020.67
Non-current assets	3,776,485,520.68	3,732,296,657.17
Total assets	5,011,651,463.07	4,783,446,452.58
Current liabilities	1,298,657,912.01	1,124,781,573.60
Non-current liabilities	1,606,865,693.26	1,571,268,613.61
Total liabilities	2,905,523,605.27	2,696,050,187.21
Minority interest	19,483,095.79	105,270,077.57
Equity attributable to the parent company	2,086,644,762.01	1,982,126,187.80
Net asset shares calculating based on shareholding ratio	1,043,322,381.01	991,063,093.90
Adjusting events	-16,536,660.55	-18,025,034.47
– Goodwill		
– Unrealized profit of internal transaction	-16,536,660.55	-18,025,034.47
– Others		
Book value of equity investment in joint venture	1,026,785,720.46	973,038,059.43
Fair value of equity investment in joint venture with public offering		
Operating income	1,040,664,442.03	1,035,192,329.38
Financial expense	47,991,328.49	51,257,016.32
Income tax expense	25,097,759.75	23,036,910.81
Net profit	104,801,312.96	160,625,237.64
Net profit of terminating operation		
Other comprehensive income		
Total comprehensive income	104,801,312.96	160,625,237.64
Dividend obtained from joint venture within the period		60,000,000.00

**APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT**

<b>Items</b>	<b>Balance on Dec. 31, 2014/ accrual in 2014</b>	<b>Balance on Dec. 31, 2013/ accrual in 2013</b>
	<b>Chongqing Sino-French Water Investment Co., Ltd.</b>	<b>Chongqing Sino-French Water Investment Co., Ltd.</b>
Current assets	716,256,125.52	515,276,448.23
Including:cash and cash equivalents	386,746,339.86	281,826,096.81
Non-current assets	3,509,584,733.70	3,458,911,321.46
Total assets	4,225,840,859.22	3,974,187,769.69
Current liabilities	804,076,862.66	712,234,240.94
Non-current liabilities	1,378,387,443.52	1,306,302,054.84
Total liabilities	2,182,464,306.18	2,018,536,295.78
Minority interest	101,875,602.88	97,263,063.93
Equity attributable to the parent company	1,941,500,950.16	1,858,388,409.98
Net asset shares calculating based on shareholding ratio	970,750,475.08	929,194,204.99
Adjusting events	-20,009,533.03	-22,016,259.98
– Goodwill		
– Unrealized profit of internal transaction	-20,009,533.03	-22,016,259.98
– Others		
Book value of equity investment in joint venture	950,740,942.05	907,177,945.01
Fair value of equity investment in joint venture with public offering		
Operating income	916,492,654.74	872,977,928.25
Financial expense	55,017,274.55	58,197,896.63
Income tax expense	22,972,126.62	17,880,714.37
Net profit	105,285,843.79	94,183,914.80
Net profit of terminating operation		
Other comprehensive income		
Total comprehensive income	105,285,843.79	94,183,914.80
Dividend obtained from joint venture within the period	11,003,051.90	

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

### (3) Summarizing financial information of unimportant joint ventures and associations

Items	Balance on Nov. 30, 2016/ Accrual in Jan.-Nov., 2016	Balance on Dec. 31, 2015/ accrual in 2015	Balance on Dec. 31, 2014/ accrual in 2014	Balance on Dec. 31, 2013/ accrual in 2013
Joint venture:				
Total investment book value	154,249,109.07	32,181,018.19	32,258,880.99	30,000,000.00
Total amount calculating with following shareholding ratio				
– Net profit	-431,909.12	-77,862.80	8,880.99	
– Other comprehensive income				
– Total comprehensive income	-431,909.12	-77,862.80	8,880.99	
Associated enterprises:				
Total investment book value	41,047,483.86	30,309,033.21	26,691,162.03	23,518,667.85
Total amount calculating with following shareholding ratio				
– Net profit	1,364,834.19	1,117,871.18	2,172,494.18	1,044,657.28
– Other comprehensive income				
– Total comprehensive income	1,364,834.19	1,117,871.18	2,172,494.18	1,044,657.28

## IX RISK RELATING TO FINANCIAL INSTRUMENTS

Main financial tools of the Target Company include monetary capital, financial assets with fair value measurement and variation included profit and loss of current period, available-for-sale financial asset, consigned loan, borrow money, bond payable etc., main purpose of these financial tools aims to financing and investment of company operation. The Target Company also has many other financial assets and liabilities which are directly generated by operation, for example, account receivable, other receivables, accounts payable and other payable etc.

Main risks caused by financial tools of the Target Company are credit risk, flow risk and market risk.

The Group's objective in risk management is to achieve balance between the risks and benefits, to reduce the risk's negative impact to the lowest level and maximize the interests of shareholders and other equity investors. Based on the risk management objectives, the basic strategy of the Group's risk management is to identify and analyze the risks faced by the Group, to establish an appropriate baseline for risk tolerance and risk management, to monitor a variety of risk timely and reliably, and to control the risk within a limited range.



## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

### 1. Market risk

#### (1) Foreign exchange risk

Foreign currency risk refers to the risk of loss due to the fluctuation of exchange rate. The exchange risk suffered by the Group mainly relates to foreign currency of the Target Company, for foreign currency asset and liabilities, if out-of-balance in short term occurs, the Target Company shall purchase and sell foreign currency according to market exchange rate when it is necessary, so as to ensure net risk exposure to maintain acceptable level. The Target Company operates in homeland of China, and its main activities are valued in RMB. Therefore, market risk of foreign exchange variation undertaken by the Target Company is not significant. Exchange rate risk confronted by the Target Company mainly sources from long-term loan of foreign currency, foreign currency loan at the end of period is converted into the amount in RMB as follows:

Items	Nov. 30, 2016	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013
Long term loan	774,901,372.58	756,302,158.41	780,971,709.23	920,504,418.11
Including: Japanese Yen	634,690,575.39	596,019,178.88	604,420,552.20	720,322,624.03
US\$	137,135,105.84	156,675,979.28	171,795,228.06	193,720,889.66
Euro	3,075,691.35	3,607,000.25	4,755,928.97	6,460,904.42
Non-current liabilities due within one year	44,598,950.31	38,781,948.25	37,068,839.10	46,208,209.30
Including: Japanese Yen	43,648,393.93	37,862,919.00	36,103,127.84	45,117,723.44
US\$				
Euro	950,556.38	919,029.25	965,711.26	1,090,485.86

Sensitivity analysis of foreign exchange risk: Financial liabilities of various foreign currencies of the Target Company occupy lower proportion of total assets in the Target Company, because foreign exchange rate of Japanese Yen largely fluctuates in recent years, foreign exchange rate variations causes certain influence on the Target Company.

#### (2) Interest rate risk

The interest rate risk of the Target Company arises from the interest bearing debt such as bank loans etc. Variable-rate financial liabilities make the Company exposes to cash flow interest rate risk. Fixed-rate financial liabilities make the Target Company exposes to fair value interest rate risk. The Target Company determines the proportion between fixed-rate and variable-rate contracts based on the prevailing market environment. As at Nov.30, 2016, Variable-rate loan of the Target Company is RMB2,678,328,099.50 and Fixed-rate loan of the Target Company is RMB1,176,467,309.16. As at Dec.31, 2015, Variable-rate loan of the Target Company is RMB 2,384,048,745.21 and Fixed-rate loan of the Target Company is RMB 1,094,307,072.03. As at Dec.31, 2014, Variable-rate loan of the Target Company is RMB 1,388,688,244.79 and Fixed-rate loan of the Target Company is RMB 1,092,059,126.41. As at Dec.31, 2013, Variable-rate loan of the Target Company is RMB 1,153,685,817.16 and Fixed-rate loan of the Target Company is RMB 1,390,109,716.41.

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

The finance department of the headquarters of the Target Company continuously monitors the interest rate level of the Group. When the interest rate increases, the cost of the new interest bearing debts and the outstanding interest expenses incurred by the variable-rate interest bearing debts of the Target Company will increase, thereby having a material adverse effect on the financial results of the Target Company. The management will make timely adjustment based on the latest market conditions. They keep the Variable-rate borrowings when interest rates fall and increase the proportion of Fixed-rate loan properly when interest rates rise.

### 2. Credit risk

Credit risk refers to the risk that counter party will default on its contractual obligation resulting in financial loss to the other party. The Target Company mainly faces up to customer credit risk caused by credit sale. Before signing new contract, the Target Company shall evaluate credit risk of new customers, including external credit rating and bank reference letter in some situations (when the information can be acquired). The Target Company sets up limit amount of credit sales for each customer, the limit amount is maximum amount without additional approval. The Target Company ensures entire credit risk within controllable scope according to customer credit rating monitoring and aging analysis of accounts receivable. When monitoring customer credit risk, it shall be grouped with credit characteristics of customers. Customers awarded with “high risk” rating shall be placed within limited customer list, and the Target Company can make credit sale within future period or it must ask to make corresponding payment in advance.

For the amount in receivables is not overdue and not decreased in value, and the value is overdue but not decrease in value and overdue aging of account, the analysis as follows:

Items	Nov. 30, 2016				
	Non-overdue and non-decrease in value	Overdue but non-decrease in value			Total
		Within 1 year	1-2 years	Over 2 years	
Bill receivable	22,057,126.90				22,057,126.90
Accounts receivable	2,030,637,324.88				2,030,637,324.88
Other receivables	364,276,774.82				364,276,774.82
Entrusted loan	4,520,221.88				4,520,221.88
Long term receivables	578,817,578.88				578,817,578.88
Bill receivable	22,057,126.90				22,057,126.90
Subtotal	3,022,366,154.26				3,022,366,154.26

**APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT**

(Continued)

Items	Nov. 30, 2015				
	Non-overdue and non-decrease in value	Overdue but non-decrease in value			Total
		Within 1 year	1-2 years	Over 2 years	
Bill receivable	14,660,000.00				14,660,000.00
Account receivable	1,492,585,270.23				1,492,585,270.23
Other receivable	1,371,353,372.99				1,371,353,372.99
Entrusted loan	400,000,000.00				400,000,000.00
Long-term receivable due within one year	8,533,333.33				8,533,333.33
Long-term receivable	511,194,309.81				511,194,309.81
Subtotal	3,798,326,286.36				3,798,326,286.36

(Continued)

Items	Dec.31, 2014				
	Non-overdue and non-decrease in value	Overdue but non-decrease in value			Total
		Within 1 year	1-2 years	Over 2 years	
Bill receivable	15,500,000.00				15,500,000.00
Account receivable	1,156,945,810.69				1,156,945,810.69
Other receivable	3,636,224,943.27				3,636,224,943.27
Held-to-maturity investment	850,000,000.00				850,000,000.00
Long-term receivable due within one year	8,666,666.67				8,666,666.67
Long-term receivable	322,345,690.15				322,345,690.15
Subtotal	5,989,683,110.78				5,989,683,110.78

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

(Continued)

Items	Dec. 31, 2013				Total
	Non-overdue and non-decrease in value	Overdue but non-decrease in value			
		Within 1 year	1-2 years	Over 2 years	
Bill receivable	4,800,000.00				4,800,000.00
Account receivable	914,706,512.26				914,706,512.26
Other receivable	170,994,170.57				170,994,170.57
Held-to-maturity investment	670,000,000.00				670,000,000.00
Long-term receivable due within one year	70,435,604.97				70,435,604.97
Long-term receivable	472,691,227.80				472,691,227.80
Subtotal	2,303,627,515.60				2,303,627,515.60

### 3. Liquidity risk

The Target Company maintains and monitors a level of cash and cash equivalents deemed adequate by the management to meet the operation needs of the Target Company and to reduce the effect of cash flow movements. The management of the Target Company monitors the usage of bank borrowings, and ensures compliance with borrowing agreements.

As at 30 Nov. 2016, an analysis of the repayment of financial liabilities through time maturity of remained undiscounted contract is as follows:

Items	Within 1 year	Over 1 year
Non-derivative financial asset and liabilities:		
Monetary capital	7,147,965,663.45	14,623,440.16
Accounts receivable	1,752,955,241.98	97,989,030.88
Other receivables	100,915,477.93	241,750,654.48
Advances paid	204,508,826.02	153,508,983.24
Other current assets	1,550,000,000.00	
Available-for-sale financial assets	4,520,221.88	486,070,080.42
Non-current assets due within one year	4,520,221.88	
Long term receivables		577,888,714.31
Short-term borrowings		205,000,000.00
Accounts payable	1,558,695,744.41	825,393,226.05
Advances received	945,526,766.47	374,660,359.84
Long term loan	425,232,950.31	3,224,562,458.35
Long-term payable		146,758,618.11

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

As at Dec. 31, 2015, an analysis of the repayment of financial liabilities through time maturity of remained undiscounted contract is as follows:

Items	Within 1 year	Over 1 year
Non-derivative financial asset and liabilities:		
Monetary capital	6,657,113,360.81	14,494,426.22
Accounts receivable	1,027,821,390.07	305,819,458.44
Other receivables	108,365,342.48	1,243,622,448.17
Advances paid	184,189,896.46	143,633,671.81
Other current assets		
Available-for-sale financial assets		493,048,439.70
Non-current assets due within one year	408,533,333.33	
Long term receivables		510,454,065.63
Short-term borrowings		180,000,000.00
Accounts payable	979,908,343.71	1,094,402,654.69
Advances received	797,009,929.80	262,703,256.75
Long term loan	212,666,748.25	3,085,689,068.99
Long-term payable		105,800,626.06

As at Dec. 31, 2014, an analysis of the repayment of financial liabilities through time maturity of remained undiscounted contract is as follows:

Items	Within 1 year	Over 1 year
Non-derivative financial asset and liabilities:		
Monetary capital	4,624,088,754.75	14,193,442.65
Accounts receivable	899,913,128.88	144,349,013.46
Other receivables	82,976,420.55	3,527,016,541.05
Advances paid	220,434,551.97	73,352,429.11
Other current assets		
Available-for-sale financial assets		
Non-current assets due within one year	8,666,666.67	
Long term receivables		321,792,487.07
Short-term borrowings		
Accounts payable	1,156,012,707.48	469,588,070.11
Advances received	578,088,418.86	174,191,693.98
Long term loan	150,893,639.09	2,329,853,732.11
Long-term payable		105,800,626.06

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**APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT**

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As at Dec. 31, 2013, an analysis of the repayment of financial liabilities through time maturity of remained undiscounted contract is as follows:

<b>Items</b>	<b>Within 1 year</b>	<b>Over 1 year</b>
Non-derivative financial asset and liabilities:		
Monetary capital	5,595,377,953.76	13,769,461.15
Accounts receivable	771,282,958.04	49,006,818.76
Other receivables	42,258,334.25	107,324,303.59
Advances paid	139,311,709.45	60,575,312.77
Other current assets		
Available-for-sale financial assets		479,640,829.51
Non-current assets due within one year	70,435,604.97	
Long term receivables		471,675,754.11
Short-term borrowings		
Accounts payable	487,369,904.81	667,768,562.56
Advances received	348,928,851.64	105,893,316.46
Long term loan	81,891,482.50	2,461,904,051.07
Long-term payable		105,800,626.06

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

### X. FAIR VALUE

#### 1. Fair value of assets and liabilities measured at fair value as at the end of the period

Items	Fair value on 30 Nov. 2016			Total
	The fair value measured at first level	The fair value measured at second level	The fair value measured at third level	
I. Continuous fair value measurement				
(I) Financial assets at fair value through profit or loss				
1. Trading financial assets				
(1) Debt instruments investment				
(2) Equity instrument investment				
(3) Derivative financial assets				
2. Designated as financial assets at fair value through profit or loss				
(1) Debt instruments investment				
(2) Equity instrument investment				
(II) Available-for-sale financial assets	24,346,435.77			24,346,435.77
1. Debt instruments investment				
2. Equity instrument investment	24,346,435.77			24,346,435.77
3. Others				
(III) Investment properties				
1. Leased land use rights				
2. Leased building				
3. Possessed and transferred land use rights after preparation for appreciation				
(IV) Biological assets				
1. Consumption biological assets				
2. Productive biological assets				
(V) Others				
<b>Continue total assets with fair value measurement</b>	24,346,435.77			24,346,435.77
(VI) Trading financial liabilities				
Including: Issued trading bond				
Derivative financial liabilities				
Others				
(VII) Fair value measurement and its variation included financial asset of current loss and profit				
<b>Continue total liabilities with fair value measurement</b>				
II Non-continuous fair value measurement				
(I) Held-for-sale assets				
<b>Non-continuous total assets amount with fair value measurement</b>				
<b>Non-continuous total liabilities with fair value measurement</b>				

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

(Continued)

Items	Fair value on December 31, 2015			
	1st level fair value measurement	2nd level fair value measurement	3rd level fair value measurement	Total
I. Continuous fair value measurement				
(I) Financial assets at fair value through profit or loss				
1. Trading financial assets				
(1) Debt instruments investment				
(2) Equity instrument investment				
(3) Derivative financial assets				
2. Designated as financial assets at fair value through profit or loss				
(1) Debt instruments investment				
(2) Equity instrument investment				
(II) Available-for-sale financial assets	25,116,517.68			25,116,517.68
1. Debt instruments investment				
2. Equity instrument investment	25,116,517.68			25,116,517.68
3. Others				
(III) Investment properties				
1. Leased land use rights				
2. Leased building				
3. Possessed and transferred land use rights after preparation for appreciation				
(IV) Biological assets				
1. Consumption biological assets				
2. Productive biological assets				
(V) Others				
<b>Continue total assets with fair value measurement</b>	25,116,517.68			25,116,517.68
(VI) Trading financial liabilities				
Including: Issued trading bond				
Derivative financial liabilities				
Others				
(VII) Fair value measurement and its variation included financial asset of current loss and profit				
<b>Continue total liabilities with fair value measurement</b>				
II Non-continuous fair value measurement				
(I) Held-for-sale assets				
<b>Non-continuous total assets amount with fair value measurement</b>				
<b>Non-continuous total liabilities with fair value measurement</b>				



## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

(Continued)

Items	Fair value on Dec. 31, 2014			Total
	1st level fair value measurement	2nd level fair value measurement	3rd level fair value measurement	
I. Continuous fair value measurement				
(I) Financial assets at fair value through profit or loss	2,257,600.18			2,257,600.18
1. Trading financial assets	2,257,600.18			2,257,600.18
(1) Debt instruments investment				
(2) Equity instrument investment	2,257,600.18			2,257,600.18
(3) Derivative financial assets				
2. Designated as financial assets at fair value through profit or loss				
(1) Debt instruments investment				
(2) Equity instrument investment				
(II) Available-for-sale financial assets	28,907,690.16			28,907,690.16
1. Debt instruments investment				
2. Equity instrument investment	28,907,690.16			28,907,690.16
3. Others				
(III) Investment properties				
1. Leased land use rights				
2. Leased building				
3. Possessed and transferred land use rights after preparation for appreciation				
(IV) Biological assets				
1. Consumption biological assets				
2. Productive biological assets				
(V) Others	2,277,752.70			2,277,752.70
<b>Continue total assets with fair value measurement</b>	<b>33,443,043.04</b>			<b>33,443,043.04</b>
(VI) Trading financial liabilities				
Including: Issued trading bond				
Derivative financial liabilities				
Others				
(VII) Fair value measurement and its variation included financial asset of current loss and profit				
<b>Continue total liabilities with fair value measurement</b>				
II Non-continuous fair value measurement				
(I) Held-for-sale assets				
<b>Non-continuous total assets amount with fair value measurement</b>				
<b>Non-continuous total liabilities with fair value measurement</b>				

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

(Continued)

Items	Fair value on Dec. 31, 2013			Total
	1st level fair value measurement	2nd level fair value measurement	3rd level fair value measurement	
I. Continuous fair value measurement				
(I) Financial assets at fair value through profit or loss	1,180,967.60			1,180,967.60
1. Trading financial assets	1,180,967.60			1,180,967.60
(1) Debt instruments investment				
(2) Equity instrument investment	1,180,967.60			1,180,967.60
(3) Derivative financial assets				
2. Designated as financial assets at fair value through profit or loss				
(1) Debt instruments investment				
(2) Equity instrument investment				
(II) Available-for-sale financial assets	15,778,705.04			15,778,705.04
1. Debt instruments investment				
2. Equity instrument investment	15,778,705.04			15,778,705.04
3. Others				
(III) Investment properties				
1. Leased land use rights				
2. Leased building				
3. Possessed and transferred land use rights after preparation for appreciation				
(IV) Biological assets				
1. Consumption biological assets				
2. Productive biological assets				
(V) Others	2,598,835.89			2,598,835.89
<b>Continue total assets with fair value measurement</b>	<b>19,558,508.53</b>			<b>19,558,508.53</b>
(VI) Trading financial liabilities				
Including: Issued trading bond				
Derivative financial liabilities				
Others				
(VII) Fair value measurement and its variation included financial asset of current loss and profit				
<b>Continue total liabilities with fair value measurement</b>				
II Non-continuous fair value measurement				
(I) Held-for-sale assets				
<b>Non-continuous total assets amount with fair value measurement</b>				
<b>Non-continuous total liabilities with fair value measurement</b>				

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**APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT**

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**2. Market price confirmation basis of continuous and non-continuous 1st level fair value measurement project**

Public offering of the financial asset in active market at the end of period.

**XI RELATED PARTIES AND RELATED PARTY TRANSACTIONS****1. General information of the parent company:**

Name	Place of registration	Nature of Business	Registered capital	Interest held (%)	Voting rights (%)
Chongqing Water Asset Management Co., Ltd	Chongqing	Investment business	6,064,571,500.00	74.90	74.90

**2. Information of subsidiaries**

Name	Principal place of business	Registered office	Nature of Business	Shareholding ratio(%)		Acquisition
				Directly	Indirectly	
Chongqing San Feng Environment Industrial Group Co., Ltd.	Chongqing	Chongqing	Waste incineration power generation	57.120		Appropriation
Chongqing Water Group Co., Ltd.	Chongqing	Chongqing	Public utility	50.0375		Appropriation
Chongqing DeRun Environmental Technology Industry Co., Ltd.	Chongqing	Chongqing	Environmental protection operations	66.67		Investment

**3. Information of joint ventures and associates**

The information for joint ventures and associates is set out in Note VI.15.

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

### 4. Information of other related parties

Name	Relationship
Chongqing Yushui Environmental Protection Co., Ltd.	Subsidiary of controlling shareholder
Chongqing Baihan Wastewater Treatment Co., Ltd.	Subsidiary of controlling shareholder
Derun Environment (Holding) Group Co., Ltd.	Subsidiary of controlling shareholder
Hong Kong Sailing Trading Group Co., Ltd.	Subsidiary of controlling shareholder
Chongqing Jiuquhe Wastewater Treatment Co., Ltd.	Subsidiary of controlling shareholder
Chongqing Bijiang Environmental Engineering Co., Ltd.	Subsidiary of controlling shareholder
Chongqing Bishuiyuan Construction Project Management LLC	Subsidiary of controlling shareholder
Chongqing Tangjiaqiao Water Treatment Project Management Co., Ltd.	Subsidiary of controlling shareholder
Chongqing Water Resources Investment (Group) Co., Ltd.	Subsidiary of controlling shareholder
Chongqing Sino-French Water Supply Co., Ltd.	Subsidiary of joint venture
Chongqing Sino-French Tangjiatuo Wastewater Treatment Co., Ltd.	Subsidiary of joint venture
Chongqing Sino-French Water Construction Co., Ltd.	Joint venture of controlling shareholder
Chongqing (Changshou) Method for Chemical Industrial Park Water Co., Ltd.	Subsidiary of Joint venture
Baiyin San Feng Wenchuang Environmental Protection Power Generation Co., Ltd.	joint venture
Ancheng Property Insurance Shares Co., Ltd.	The Target Group is minority shareholders of it
Chongqing Rural Commercial Bank shares Co., Ltd.	The Target Group is minority shareholders of it
Qu Bin	Chairman
Sun Minghua	President
Xie Ling	Vice president
Hao Xiaojun	Vice president
Chao Guanghui	CFO
Zhang Qiang	Chairman of Supervisory Committee
Zhang Zhanxiang	Director
Lin Jingsheng	Supervisor
CLARK, Stephen	Vice Chairman
Lei Qinping	Director
Chen Yi	Director
Zhang Zichun	Director
Ge Xin	Supervisor
Qiu Dizhong	Supervisor
Wang Shi'an	Director
Cao Jing	Supervisor

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

### 5. Related party transactions

#### (1) Purchase and sales of goods and rendering and receiving services

##### ① Related-party transactions on Procurement of Goods and Services

Name of related party	Nature of transaction	Jan.-Nov., 2016	Jan.-Nov., 2015 (unaudited)
Ancheng Property insurance shares Co., Ltd.	Insurance expenses	2,370,093.56	2,515,530.74
Huangsheng Group Chongqing Tubes Co., Ltd.(Water)	Procurement of materials	660,139.48	27,819.00
Chongqing Bishuiyuan Construction Project Management LLC	Service charge	7,813,915.27	
Chongqing Water Asset Management Co., Ltd	Network lease fee	1,418,157.58	
Chongqing Water Asset Management Co., Ltd	Construction and Installation	9,354,206.42	178,595.27
Chongqing Sino-French Water Supply Co., Ltd.	Procurement of materials	60,396.00	2,158,465.22

(Continued)

Name of related party	Nature of transaction	2015 year	2014 year	2013 year
Ancheng Property Insurance Shares Co., Ltd.	Pay insurance expenses	3,036,623.27	4,221,185.34	4,152,302.24
Chongqing Bishuiyuan Construction Project Management LLC	Service charge		124,911.15	83,037.73
Chongqing Sino-French Water Supply Co., Ltd.	Purchase materials	2,158,465.22	28,510.75	22,818.25
Chongqing University City Water Technology Development Co., Ltd.	Purchase materials		48,903.40	
Chongqing Dongyu Water Supply Co., Ltd.(Water)	Project funds	900,288.92	350,000.00	
Huangsheng Group Chongqing Tubes Co., Ltd.(Water)	Purchase materials	75,134.15	1,049,484.70	
Chongqing Water Resources Investment (Group) Co., Ltd. (And its subsidiaries)	Purchase materials		53,177.90	71,048.65
Chongqing Water Asset Management Co., Ltd	Equipment Procurement	27,819.00		141,120.00
Chongqing Water Asset Management Co., Ltd	Project funds	75,107.20	2,649,363.51	1,959,679.00
Chongqing Yusheng Water Resources Development Co., Ltd.	Water resources fee		2,632,775.73	

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

### Related-party transactions on Sales of Goods and Services

Name of related party	Nature of transaction	Jan.-Nov., 2016	Jan.-Nov., 2015 (unaudited)
Chongqing (Changshou) Method for Chemical Industrial Park Water Co., Ltd.	Technical Service fee	4,177,799.45	2,086,032.34
Chongqing Baihan Wastewater Treatment Co., Ltd.	Provide labour service	181,881.84	52,665.09
Chongqing Bishuiyuan Construction Project Management LLC	Construction and Installation. Technical Service fee	23,579,423.89	19,201,432.22
Chongqing Caitong Water Co., Ltd.	Construction and Installation. Technical Service fee	10,771,284.17	10,623,485.25
Chongqing Water Asset Management Co., Ltd	Installation and technical services revenue	5,235,278.15	7,975,245.83
Chongqing Water Asset Management Co., Ltd.-Office of the city water supply pipe network reconstruction project construction	Construction and Installation. Technical Service fee	26,352,182.42	18,618,627.67
Chongqing Yushui Environmental Protection Co., Ltd.	Construction and Installation. Technical Service fee	435,440.48	170,152.37
Chongqing Sino-French Water Supply Co., Ltd.	Construction and Installation. Inspection Service fees	63,711,915.02	28,478,946.76
Chongqing Sino-French Water Investment Co., Ltd.	Construction and Installation. Technical Service fee	1,471,804.52	13,915,700.00
Chongqing Sino-French Tangjiatuo Wastewater Treatment Co., Ltd.	Construction and Installation. Technical Service fee	3,887,625.65	1,798,778.14
Ancheng Property Insurance Shares Co., Ltd.	Technical Service fee	75,538.77	
Chongqing Jiangdong Water Co., Ltd.	Construction and Installation. Technical Service fee	89,150.94	
Chongqing Tangjiaqiao Water Treatment Project Management Co., Ltd.			14,794,284.34
Baiyin SanFeng Wenchuang Environmental Protection Power Generation Co., Ltd.	EPC Project	57,477,766.08	102,346,817.52

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

(Continued)

Name of related party	Nature of transaction	2015 year	2014 year	2013 year
Ancheng Property Insurance Shares Co., Ltd.	Insurance proceeds	299,990.02	494,935.82	338,332.08
Chongqing Caitong Water Co., Ltd.	Sale of goods	10,623,485.25	6,187,084.80	
Chongqing (Changshou) Method for Chemical Industrial Park Water Co., Ltd.	Service charge	14,794,284.34	1,425,138.88	
Chongqing (Changshou) Method for Chemical Industrial Park Water Co., Ltd.	Sales materials	718,511.09	64,102.56	100,000.00
Chongqing Baihan Wastewater Treatment Co., Ltd.	Service charge		856,048.38	
Chongqing Bishuiyuan Construction Project Management LLC	Project supervisor. Project construction	1,054,121.12	1,936,866.17	49,414,068.93
Chongqing Bishuiyuan Construction Project Management LLC	Sales materials	18,147,311.10	30,213,691.26	2,119,475.10
Chongqing University City Water Technology Development Co., Ltd.	Service charge	410,439.41	300,000.00	
Chongqing University City Water Technology Development Co., Ltd. University City Water Plant	Project funds			83,500.00
Chongqing Jiangdong Water Co., Ltd.	Provide labour service		56,603.77	
Chongqing Water Asset Management Co., Ltd	Service charge. Project funds. Design fees. Supervisor fees	27,806,900.91	29,010,300.61	11,039,534.50
Chongqing Water Asset Management Co., Ltd	Sales materials	6,893,528.07	6,806,277.54	8,729,798.56
Chongqing Yushui Environmental Protection Co., Ltd.	Provide labour service	469,502.77	762,843.59	2,087,417.00
Chongqing Sino-French Water Supply Co., Ltd.	Sales materials	80,325.64	5,335,760.08	5,381,183.60
Chongqing Sino-French Water Supply Co., Ltd.	Project funds. Service charge	28,402,575.73	38,865,013.60	26,138,427.09
Chongqing Sino-French Water Investment Co., Ltd.	Project funds	6,014,299.57	11,024,015.66	24,227,665.56
Chongqing Sino-French Water Investment Co., Ltd.	Sales materials	4,536,300.70		7,461,435.26
Chongqing Sino-French Tangjiatuo Wastewater Treatment Co., Ltd.	Water quality monitoring. Provide labour service	2,000,632.84	2,580,412.95	857,492.83
Chongqing Sino-French Tangjiatuo Wastewater Treatment Co., Ltd.	Sales materials	258,393.88	376,980.62	2,085,830.57

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

Name of related party	Nature of transaction	2015 year	2014 year	2013 year
Chongqing Tongliang County Longze Water LLC	Installation and maintenance fees. Sales materials	8,802,555.28	13,222,904.40	14,918,083.61
Chongqing Xicheng Water Co., Ltd.	Project funds	10,623,485.25		2,700,000.00
Chongqing Tangjiaqiao Wastewater Treatment Project Management Co., Ltd.	Tangjiaqiao Wastewater Treatment plant inside dismantle Project	14,794,284.34		42,411.54
Chongqing Water Resources Investment (Group) Co., Ltd.	Maintenance cost	718,511.09		20,000.00
Chongqing Dongbu Water Technology Development Company	Project funds		695,849.00	169,759.00
Baiyin SanFeng Wenchuang Environmental Protection Power Generation Co., Ltd.	EPC Project	110,659,100.00	388,349.51	

### (2) *Fiduciary management/Commission management of related-party*

#### ① *The Target Company as trustee*

Name of entrusting party	Name of trustee	Managed asset type	Start date of trustee	End date of trustee	Basis of managed income pricing	Reporting period	Managed gains
Chongqing Water Asset Management Co., Ltd	Chongqing municipal drainage Co., Ltd.	Other assets trusteeship	Jan. 1, 2016	June 30, 2017	Negotiated prices	Jan.-Nov. 2016	2,706,849.02
Chongqing Water Asset Management Co., Ltd	Chongqing Three Gorges Water Co., Ltd.	Other assets trusteeship	July 1, 2016	June 31, 2017	Negotiated prices	Jan.-Nov. 2016	8,834,277.70
Chongqing Water Asset Management Co., Ltd	Chongqing Three Gorges Water Beipei dewatering Co., Ltd.	Other assets trusteeship	July 1, 2016	June 30, 2017	Negotiated prices	Jan.-Nov. 2016	9,132,147.31
Chongqing Water Asset Management Co., Ltd	Chongqing Yudong Water Co., Ltd.	Other assets trusteeship	July 1, 2016	June 30, 2017	Negotiated prices t	Jan.-Nov. 2016	460,677.67
Chongqing Water Asset Management Co., Ltd	Chongqing San Feng Environment Industrial Group Co., Ltd.	Other assets trusteeship	Jan. 1, 2016	Dec.31, 2016	Negotiated prices	Jan.-Nov. 2016	470,000.00
Chongqing Water Asset Management Co., Ltd	Chongqing municipal drainage Co., Ltd.	Other assets trusteeship	Jan. 1, 2015	Jun.30, 2016	Negotiated prices	2015	3,503,150.00
Chongqing Water Asset Management Co., Ltd t Co., Ltd.	Chongqing Three Gorges Water Co., Ltd.	Other assets trusteeship	Jan. 1, 2015	Dec.31, 2015	Negotiated prices	2015	3,733,450.00
Chongqing Water Asset Management Co., Ltd	Chongqing Three Gorges Water Yubei dewatering Co., Ltd.	Other assets trusteeship	Jan. 1, 2015	Jun.30, 2015	Negotiated prices	2015	289,050.00



## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

Name of entrusting party	Name of trustee	Managed asset type	Start date of trustee	End date of trustee	Basis of managed income pricing	Reporting period	Managed gains
Chongqing Bishuiyuan Construction Project Management LLC	Chongqing Three Gorges Water Beibei dewatering Co., Ltd.	Other assets trusteeship	Jul. 10, 2015	Dec.31, 2015	Negotiated prices	2015	6,100,000.00
Chongqing Water Asset Management Co., Ltd	Chongqing Yudong Water Co., Ltd.	Other assets trusteeship	Jan. 1, 2015	Dec.31, 2015	Negotiated prices	2015	3,532,550.00
Chongqing Bishuiyuan Construction Project Management LLC	Chongqing Yuxi Water Co., Ltd.	Other assets trusteeship	Jan. 1, 2015	Jul.13 2015	Negotiated prices	2015	220,000.00
Chongqing Bishuiyuan Construction Project Management LLC	Chongqing Yuxi Water Co., Ltd.	Other assets trusteeship	Jan. 1, 2015	Dec.31, 2015	Negotiated prices	2015	264,600.00
Chongqing Water Asset Management Co., Ltd	Chongqing municipal drainage Co., Ltd.	Other assets trusteeship	Jun. 1, 2014	Dec.31, 2014	Negotiated prices	2014	2,963,550.00
Chongqing Water Asset Management Co., Ltd	Chongqing Three Gorges Water Co., Ltd.	Other assets trusteeship	Jan. 1, 2014	Dec.31, 2014	Negotiated prices	2014	3,824,650.00
Chongqing Water Asset Management Co., Ltd	Chongqing Three Gorges Water Yubei dewatering Co., Ltd.	Other assets trusteeship	Jan. 1, 2014	Dec.31, 2014	Negotiated prices	2014	630,784.00
Chongqing Water Asset Management Co., Ltd	Chongqing Yudong Water Co., Ltd.	Other assets trusteeship	Jan. 1, 2014	Dec.31, 2014	Negotiated prices	2014	2,876,500.00
Chongqing Bishuiyuan Construction Project Management LLC	Chongqing Yuxi Water Co., Ltd.	Other assets trusteeship	Sep. 1, 2014	Nov.30, 2014	Negotiated prices	2014	880,000.00
Chongqing Bishuiyuan Construction Project Management LLC	Chongqing Yuxi Water Co., Ltd.	Other assets trusteeship	Oct. 25, 2014	Nov.24, 2014	Negotiated prices	2014	1,058,400.00
Chongqing Water Asset Management Co., Ltd	Chongqing municipal drainage Co., Ltd.	Other assets trusteeship	Jan. 1, 2013	Dec.31, 2013	Negotiated prices	2013	3,771,200.00
Chongqing Water Asset Management Co., Ltd	Chongqing Three Gorges Water Co., Ltd.	Other assets trusteeship	Jan. 1, 2013	Dec.31, 2013	Negotiated prices	2013	3,084,050.00
Chongqing Water Asset Management Co., Ltd	Chongqing Three Gorges Water Yubei dewatering Co., Ltd.	Other assets trusteeship	Jan. 1, 2013	Dec.31, 2013	Negotiated prices	2013	375,865.00
Chongqing Bishuiyuan Construction Project Management LLC	Chongqing Three Gorges Water Beibei dewatering Co., Ltd	Other assets trusteeship	Dec. 12, 2012	Jul. 1, 2013	Negotiated prices	2013	1,395,000.00
Chongqing Water Asset Management Co., Ltd	Chongqing Yuxi Water Co., Ltd.	Other assets trusteeship	Jan. 1, 2013	Dec.31, 2013	Negotiated prices	2013	2,787,250.00

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

### (3) Lease of related party

#### ① The Target Company as a lessor

Name of Lessee	Type of lease assets	Confirmed Rental income from Jan. to Nov. in 2016	Confirmed Rental income in 2015	Confirmed Rental income in 2014	Confirmed Rental income in 2013
Chongqing Bishuiyuan Construction Project Management Co., Ltd.	Building construction	77,992.86	10 7,400.00	127,440.00	32,360.00
Chongqing Bijiang Environmental Engineering Co., Ltd	Building construction	1,800.00	2,700.00	2,700.00	2,700.00
Chongqing Sino-French Tangjiatuo Wastewater Treatment Co., Ltd.	Land-use right	2,619,047.62	3,000,000.00	3,000,000.00	3,000,000.00
Chongqing Water Asset Management Co., Ltd	Vehicle rental		173,800.00		
Chongqing Public Utility Properties Co., Ltd.	Building construction		48,000.00	12,000.00	

#### ② The Target Company as a lessee

Name of Lessor	Type of lease assets	Confirmed Rental fee from Jan. to Nov. in 2016	Confirmed Rental fee in 2015	Confirmed Rental fee in 2014	Confirmed Rental fee in 2013
Chongqing Jiuque Wastewater Treatment Co., Ltd.	Property lease	15,242,970.59	14,586,701.25	12,495,800.00	4,997,000.00
Chongqing Water Asset Management Co., Ltd.	Property lease	24,683,854.65	11,935,057.31	4,297,028.60	2,754,460.56

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

### (4) Related parties loans

Related party	Loan amount	Starting date	Expiry date	Explanation
Borrow from:				
Chongqing Water Asset Management Co., Ltd.	100,000,000.00	Dec. 18, 2002		<p>On December 18, 2002, the company signed The Agreement of long-term debt investment with Chongqing Development Investment Co., Ltd.. Invested Chongqing Tongxing Garbage Disposal Co., Ltd., the debt investments is mainly for the engineering construction. The company should pay investment returns when the construction complete according to the repayment plan made by Chongqing Municipal Health and Planning Commission.</p> <p>Based on August 10, 2004, <i>The letter about long-term debt investment repayment plan of Chongqing Tongxing Garbage Disposal Co., Ltd., r(YKTH [2004] 21)</i>, the repayment principle is that the interest repayment of the bank has the priority, and the company should pay creditors principal and earnings 2 years after the loan of the bank paid up, and it should pay 5 million yuan a year since 2006. According to <i>The Notice of the Adjustment of Creditors</i> on April 21, 2014, the creditors changed from Chongqing Development Investment Co., Ltd to Chongqing Water Assets Management co., LTD. As of November 30, 2016, Chongqing Tongxing Garbage Disposal Co., Ltd has paid up the loan of the bank, but the loan to Chongqing Sino-French Water Supply co., LTD., RMB100,000,000.00 has not yet returned. The actual interest rate of it is 5%.</p>
Loan to:				
Chongqing Sino-French Water Supply Co., Ltd	4,266,666.66	Nov. 1, 2002	Oct. 31, 2016	<p>According to “Cooperative contract of chongqing sino-french water supply co., Ltd”, the difference between the first phase of the total amount of investment and the bank loan should be related-party loans to Chongqing sino-french water supply co., Ltd by cooperative parties. The company supply interest-free loan RMB156,000,000.00 to chongqing sino-french water supply co., LTD., Foreign partner Sino-french water investment (chongqing) co., Ltd supply interest-free loan RMB234,000,000.00 to chongqing sino-french water supply co., LTD. in Nov. 2002, The contract changed on Sep. 25, 2008, the calculation of interest of the loan which hadn’t return is consistent with financial institutions renminbi loans benchmark interest published by the people’s bank of China rate at the same time since 1st, Jan 2008. The change has obtained the approval of Chongqing foreign economy &amp; trade committee (YWJMF[2008]342), As of November 30, 2016, the company’s loan to chongqing sino-french water supply co., LTD, is RMB4,266,666.66.</p>
Chongqing Sino-French Water Investment Co., Ltd.	117,000,000.00	Sep. 20, 2010	Sep. 19, 2020	<p>According to “loan agreement” signed by the company and Chongqing sino-french water investment co., Ltd, in Sep. 2010, The company supply interest-free loan RMB117,000,000.00 to chongqing sino-french water supply co., LTD. Loan time limit is ten years. The loan is mainly used for acquisition Water supply and drainage project of chongqing Changshou Chemical industry park, As of November 30, 2016, the company’s loan to Chongqing sino-french water investment co., LTD, is RMB117,000,000.00.</p>

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

(5) *Related asset transference and debt restructuring*

Related party	Nature of transaction	Jan.-Nov., 2016	Jan.-Nov., 2015
Chongqing Water Management Co., Ltd.	Asset purchase	28,650,820.00	

(Continued)

Related party	Nature of transaction	2015 year	2014 year	2013 year
Chongqing Water Asset Management Co., Ltd	Asset Acquisition		6,444,616.25	60,016,639.50
Chongqing Water Asset Management Co., Ltd	Vehicles acquisition	135,400.00		
Chongqing Water Resources Investment (Group) Co., Ltd.	Vehicles acquisition	45,000.00		
Chongqing Water Asset Management Co., Ltd	Vehicles transference	239,000.00		
Chongqing Yushui Environmental Protection Co., Ltd.	Vehicles transfer	12,000.00		
Chongqing Bishuiyuan Construction Project Management LLC	Vehicles transference	339,500.00		

(6) *Remuneration of key management staff*

① *Remuneration of directors and supervisors*

Position	Name	Jan.-Nov., 2016	2015	2014	2013
Chairman	Qubin				
Chairman of Board of Supervisors	Zhang Qiang				
Director	Zhang Zhanxiang				
Supervisor	Lin Jingsheng				
Vice Chairman	CLARK, Stephen				
Director	Lei Qiping				
Director	Chen Yi				
Director	Zhang Zichun				
Supervisor	Ge Xin				
Supervisor	Qiu Dizhong				
Director	Wang Shi'an				
Supervisor	Cao Jing				

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## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

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The Target Company has no director fees, directors also receive no remuneration from the Target Company in any form. There is no related transaction between directors and the Target Company, there's no service or management contract between them either.

Social insurance is not included in above mentioned remuneration.

Employees and directors hold no shares of the Target Company.

No directors joined the Target Company because of received other remuneration.

The Target Company hasn't yet set policy or standard for the directors' remuneration.

There were no directors of the Target Company waived or agreed to waive any emoluments during the Relevant Periods.

② *Compensation of key management staff*

<b>item</b>	<b>Jan.-Nov., 2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Compensation of key management staff	571,500.00			

③ *Top 5 compensation of employees*

<b>Item</b>	<b>Jan.-Nov., 2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Compensation and other benefits	2,612,200.00	3,922,220.00	2,089,500.00	2,226,000.00

There's no other retirement benefits or bonuses except above employee benefits payable, no employees joined the Target Company because of received other compensation.

Scope of compensation:

<b>item</b>	<b>Jan.-Nov., 2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Under 1,000,000.00 Hong Kong dollars	5	5	5	5

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

### 6. Related party accounts receivable and accounts payable

#### (1) Accounts receivables

Item	November 30, 2016		December 31, 2015	
	Book balance	Bad debt provision	Book balance	Bad debt provision
Accounts receivable:				
Chongqing Bishuiyuan Construction Project Management LLC	5,411,871.99	275,872.10	2,101,457.00	110,351.35
Chongqing Sino-French Water Supply Co., Ltd.	9,143,067.27	423,448.03	5,551,928.56	530,827.76
Chongqing Sino-French Water Investment Co., Ltd.	6,238,024.57	122,999.37	6,493,022.96	389,422.54
Chongqing Water Asset Management Co., Ltd.	20,141,437.68	5,454,604.31	13,157,918.59	1,839,188.01
Chongqing (Changshou) Method for Chemical Industrial Park Water Co., Ltd.	1,241,940.47	62,039.52	4,186,352.79	209,375.14
Sino-French Tangjiatuo Wastewater Treatment Co., Ltd.	140,640.40	7,032.02	1,040.00	52.00
Chongqing Tongliang County Longze Water LLC			3,748,951.42	187,447.57
Chongqing Caitong Water Co., Ltd.	200.00	10.00	410.80	20.54
Total	42,317,182.38	6,346,005.35	35,241,082.12	3,266,684.91
Prepayments:				
Ancheng Property Insurance Shares Co., Ltd.			18,000.00	
Total			18,000.00	
Other receivables:				
Chongqing (Changshou) Method for Chemical Industrial Park Water Co., Ltd.			1,894,358.15	154,051.77
Chongqing Sino-French Water Supply Co., Ltd.	8,327,663.93	271,497.22	1,081,634.87	87,378.11
Chongqing Sino-French Tangjiatuo Wastewater Treatment Co., Ltd.	2,311,283.87	115,564.19	3,433,045.48	171,652.27
Chongqing Water Asset Management Co., Ltd.	4,930,414.99	847,288.85	3,245,768.62	599,767.89
Chongqing Bishuiyuan Construction Project Management LLC			7,020,000.00	652,000.00
Chongqing Yushui Environmental Protection Co., Ltd.			200,000.00	100,000.00
Total	15,569,362.79	1,234,350.26	16,874,807.12	1,764,850.04
Non-current assets due within one year:				
Chongqing Sino-French Water Supply Co., Ltd.			8,533,333.33	
Total			8,533,333.33	
Long-term receivables:				
Chongqing Sino-French Water Investment Co., Ltd.	117,000,000.00		117,000,000.00	
Total	117,000,000.00		117,000,000.00	

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

(Continued)

Item	December 31, 2014		December 31, 2013	
	Book balance	Bad debt provision	Book balance	Bad debt provision
Accounts receivable:				
Chongqing Bishuiyuan Construction Project Management LLC	22,751,133.64	1,662,205.44	24,005,396.91	1,216,974.15
Chongqing Sino-French Water Supply Co., Ltd.	4,164,341.68	311,227.81	6,049,416.53	508,232.82
Chongqing Sino-French Water Investment Co., Ltd.	13,705,405.74	1,261,465.71	17,042,266.06	1,384,053.96
Chongqing Water Asset Management Co., Ltd.	5,664,536.19	739,282.42	7,196,022.40	482,555.71
Chongqing (Changshou) Method for Chemical Industrial Park Water Co., Ltd.	222,450.00	17,225.00	102,450.00	5,245.00
Chongqing Dongbu Water Technology Development Company	41,533.00	4,713.30	66,133.00	4,613.30
Chongqing Sino-French Tangjiatuo Wastewater Treatment Co., Ltd.	384,797.10	19,239.86	43,885.46	2,390.17
Chongqing Water Resources Investment (Group) Co., Ltd.			20,000.00	1,000.00
Chongqing Tongliang County Longze Water LLC	2,054,059.87	102,423.82		
Total	48,988,257.22	4,117,783.36	54,525,570.36	3,605,065.11
Prepayments:				
Ancheng Property Insurance Shares Co., Ltd.	18,000.00		18,000.00	
Total	18,000.00		18,000.00	
Other receivables:				
Ancheng Property Insurance Shares Co., Ltd.	243,082.50			
Chongqing (Changshou) Method for Chemical Industrial Park Water Co., Ltd.	1,026,677.34	50,833.87	10,000.00	5,000.00
Chongqing Bishuiyuan Construction Project Management LLC	2,000,000.00	600,000.00	2,000,000.00	400,000.00
Chongqing Water Asset Management Co., Ltd.	2,366,357.81	643,222.26	3,552,536.75	271,551.33
Chongqing Yushui Environmental Protection Co., Ltd.	200,000.00	40,000.00	200,000.00	20,000.00
Chongqing Sino-French Water Supply Co., Ltd.	4,812,216.61	258,888.54	4,749,653.90	237,482.70
Chongqing Sino-French Tangjiatuo Wastewater Treatment Co., Ltd.	2,028,261.12	101,413.06	6,617,619.69	330,880.98
Chongqing Sino-French Water Investment Co., Ltd.			319,590.89	63,918.18
Total	12,676,595.38	1,694,357.73	17,449,401.23	1,328,833.19
Non-current assets due within one year:				
Chongqing Sino-French Water Supply Co., Ltd.	8,666,666.67		8,666,666.67	

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

Item	December 31, 2014		December 31, 2013	
	Book balance	Bad debt provision	Book balance	Bad debt provision
Total	8,666,666.67		8,666,666.67	
Long-term receivables:				
Chongqing Sino-French Water Investment Co., Ltd.	117,000,000.00		117,000,000.00	
Chongqing Sino-French Water Supply Co., Ltd.	8,533,333.33		17,200,000.00	
Total	125,533,333.33		134,200,000.00	

### (2) Accounts payable

Item	November 30, 2016	December 31, 2015	December 31, 2014	December 31, 2013
Accounts payable:				
Huangsheng Group Chongqing Tubes Co., Ltd.(Water)	120,522.56	24,246.40	442,361.22	261,674.80
Chongqing Bishuiyuan Construction Project LLC		9,474,891.02		2,515,090.87
Chongqing Water Asset Management Co., Ltd	8,389,477.65	10,730,092.58	10,730,092.58	
Chongqing Sino-French Water Investment Co., Ltd.				149,705.16
Chongqing Yusheng Water Resources Development Co., Ltd.			466,420.04	
Chongqing University City Water Technology Development Co., Ltd.		3,610.37		
Chongqing Jiuquhe Wastewater Treatment Co., Ltd	2,800,794.42			
Total	11,310,794.63	20,232,840.37	11,638,873.84	2,926,470.83
Long-term payables:				
Chongqing Water Asset Management Co., Ltd	100,000,000.00	100,000,000.00	100,000,000.00	
Total	100,000,000.00	100,000,000.00	100,000,000.00	
Advance receipts:				
Chongqing Bishuiyuan Construction Project Management LLC	16,307,149.19	1,507,770.00	1,172,000.00	
Chongqing Water Asset Management Co., Ltd	8,230,950.64	2,678,678.82	1,434,350.49	1,745,267.88
Chongqing Dongyu Water Supply Co., Ltd.(Water)		350,000.00	350,000.00	



**APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT**

<b>Item</b>	<b>November 30, 2016</b>	<b>December 31, 2015</b>	<b>December 31, 2014</b>	<b>December 31, 2013</b>
Chongqing Sino-French Water Supply Co., Ltd.		4,614,389.53	3,223,736.72	10,974,772.43
Chongqing Dongbu Water Technology Development Co., Ltd.			6,124.43	
Chongqing Sino-French Water Investment Co., Ltd.		509,531.33	548,062.79	
Chongqing Sino-French Tangjiatuo Wastewater Treatment Co., Ltd.	118,700.00	118,700.00		61,700.00
Baiyin San Feng Wenchuang Environmental Protection Power Generation Co., Ltd.	38,119,133.37	10,150,534.00		
<b>Total</b>	<b>62,775,933.20</b>	<b>19,929,603.68</b>	<b>6,734,274.43</b>	<b>12,781,740.31</b>
Other payables:				
Ancheng Property Insurance Shares Co., Ltd.	28,530.00	62,296.29	2,230.00	8,336.50
Chongqing Baihan Wastewater Treatment Co., Ltd.			738.4	
Chongqing Bishuiyuan Construction Project Management LLC			187,160.00	
Chongqing Water Asset Management Co., Ltd	30,601,262.3	36,452,686.47	144,904,920.44	163,425,626.79
Chongqing Yushui Environmental Protection Co., Ltd.	50,000.00	150,000.00	50,000.00	
Chongqing Sino-French Water Supply Co., Ltd.	326,310.50	664,635.15	326,310.50	491,781.45
Chongqing Sino-French Water Investment Co., Ltd.			1,457,109.84	2,757,109.84
Chongqing Sino-French Tangjiatuo Wastewater Treatment Co., Ltd.		2,524.00		2,524.00
Chongqing Tongliang County Longze Water LLC		6,634.84		
<b>Total</b>	<b>31,006,102.80</b>	<b>37,338,776.75</b>	<b>146,928,469.18</b>	<b>166,685,378.58</b>

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

### XII COMMITMENTS AND CONTINGENCIES

#### 1. Significant commitments

As of November 30, 2016, the Target Company has no significant commitments to be disclosed.

#### 2. Contingencies

As of November 30, 2016, the Target Company has no significant contingencies to be disclosed.

### XIII. POST-BALANCE SHEET DATE EVENTS

#### 1. Important non-adjusting events

Items	Content	Influence amount of financial status and management results	Reasons of incapably evaluating influence amount
VAT refund	70% refund upon r collection for VAT of sewage disposal		As of the date of this report, approval procedure is in progress.
Investment	Investment of Akesu SanFeng GuangHan Environment Protection Power Generation Co., Ltd.		Approval is not finished and procedure has not yet completed

- ① According to item 5.2 of *Preferential Catalogue of VAT on Products and Services for Comprehensive Utilization of Resource*, which is the attachment of CS (2015) No.78, as long as sewage after processing treatment conforms to regulated technical requirements of *Discharge Standard of Pollutants Standard (GB18918-2002)* or reaches direct discharge limit value of corresponding national or local water pollutant discharge standard. The above-mentioned sewage disposal service can enjoy the policy of VAT refund upon collection, and the refund proportion is 70%.

Sewage VAT payable from Jul. 2015 to Nov. 2016 in Water Group is RMB482,608,534.57. According to CS (2015) No.78, the expected tax return of Water Group is RMB337,825,974.20. To obtain this tax preference, Water Group need to have preferential qualification filing of VAT refund upon collection, propose refund application, and obtain the approval of relative department.

As of 14 Mar 2017, Water Group has paid up all the VAT and additions above-mentioned by installment, and has applied for VAT refund upon collection to the competent tax authority. Water Group has received VAT return RMB133,239,300. 00 on Mar.10, 2017.

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

- ② On December 20, 2016, San Feng Environment and Shanghai Chengrui Investment Development Co., Ltd. jointly invested and set up Akesu SanFeng GuangHan Environment Protection Power Generation Co., Ltd., the registered capital of it is RMB97,860,000.00, in which San Feng Environment. subscribed registered capital of RMB49,908,600.00, and enjoyed 51% voting rights. According to the Articles of Incorporation of Akesu SanFeng GuangHan Environment Protection Power Generation Co., Ltd., San Feng Environment. should contribute RMB49,908,600.00 before 31 March 2018. Relative approval procedure is still in progress.

### XIV OTHER SIGNIFICANT EVENTS

#### 1. Segment information

(1) *The recognition and accounting policies of reportable segment:*

The 4 reportable segments of the Group are the business units that provide different products or service, the Group separately manages the production and operation of the reportable segment and evaluates its operating results in order to make decisions about resources to be allocated to the segment and to assess its performance. According to the business units, the operating businesses of the Target Company are categorized into 4 reporting segments, they are tap water sale, sewage disposal, engineering construction and others, power generation through refuse incineration.

The information from the reporting segments is disclosed in accordance with the accounting policies and measurement standards adopted by each of the reporting segment when reporting to the management, which are consistent with the accounting policies and measurement standards adopted in the preparation of the financial statements.

(2) *Financial information of report segment Nov. 30, 2016/from Jan. to Nov. in 2016*

Item	Tap water sale	Sewage treatment	Engineering construction and others	Garbage incineration power generation	Total
Revenue from main operations	976,540,580.65	1,918,048,675.45	2,856,581,322.49	858,821,916.62	6,609,992,495.21
Cost of main business	723,882,413.54	783,632,846.92	2,274,786,234.71	338,679,149.92	4,120,980,645.09
Total assets	5,406,697,456.30	13,160,970,415.87	4,982,293,858.81	6,757,702,017.16	30,307,663,748.14
Total liabilities	2,105,207,402.39	4,486,746,216.32	2,140,852,553.01	3,653,324,720.57	12,386,130,892.29

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

**(3) Financial information of report segment on Dec. 31, 2015/in 2015**

<b>Item</b>	<b>Tap water sale</b>	<b>Sewage treatment</b>	<b>Engineering construction and others</b>	<b>Garbage incineration power generation</b>	<b>Total</b>
Revenue from main operations	984,024,367.21	2,081,796,990.92	2,620,620,726.07	751,801,846.51	6,438,243,930.71
Cost of main business	774,598,799.26	826,215,733.95	2,045,794,516.85	303,990,096.87	3,950,599,146.93
Total assets	5,672,894,616.86	10,197,831,175.45	6,213,781,739.71	5,334,541,764.21	27,419,049,296.23
Total liabilities	2,523,126,266.93	2,843,343,965.43	2,337,575,398.45	2,637,029,789.90	10,341,075,420.71

**(4) Financial information on Dec. 31, 2014/in 2014**

<b>Item</b>	<b>Tap water sale</b>	<b>Sewage treatment</b>	<b>Engineering construction and others</b>	<b>Garbage incineration power generation</b>	<b>Total</b>
Revenue from main operations	943,421,175.93	2,146,922,809.76	1,880,387,630.61	650,452,206.78	5,621,183,823.08
Cost of main business	724,840,522.81	783,474,359.93	1,492,294,045.85	251,030,225.34	3,251,639,153.93
Total assets	5,541,103,075.38	9,729,083,913.84	5,982,293,858.81	5,012,502,561.00	26,264,983,409.03
Total liabilities	2,976,544,120.86	2,095,177,973.60	2,875,783,691.53	2,176,778,892.04	10,124,284,678.03

**(5) Financial information of report segment on Dec. 31, 2013/in 2013**

<b>Item</b>	<b>Tap water sale</b>	<b>Sewage treatment</b>	<b>Engineering construction and others</b>	<b>Garbage incineration power generation</b>	<b>Total</b>
Revenue from main operations	889,640,097.45	2,338,947,988.00	1,405,080,764.71	526,994,498.38	5,160,663,348.54
Cost of main business	660,876,267.21	744,848,402.62	1,127,677,630.74	279,494,162.86	2,812,896,463.43
Total assets	4,465,609,026.34	12,872,342,294.84	4,031,066,719.65	3,485,198,025.14	24,854,216,065.97
Total liabilities	2,020,970,780.79	4,288,074,699.23	2,055,280,498.32	738,833,467.83	9,103,159,446.17

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**APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT**

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**2. The allocation rate of dividend**

<b>item</b>	<b>Jan.-Nov., 2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
The allocation rate of dividend	59.15%			

**3. Capital commitments**

The Target Group did not have any capital commitment as at 31 December 2013, 2014 and 2015 and 30 December 2016.

**Chongqing Derun Environment Company Limited**  
29/05/2017

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## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

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### MANAGEMENT DISCUSSION AND ANALYSIS OF DERUN ENVIRONMENT

#### Overview

Established on 14 October 2014 the Target Group is a state-owned comprehensive environmental protection Group in Chongqing, and its main operating entities are Chongqing Water Group Co., Ltd. and Chongqing Sanfeng Environmental Industry Group Co., Ltd. In preparation of the consolidated statements, the financial statements of Chongqing Water Group Co., Ltd for 2013 and 2014 and the annual income statement for 2015 were consolidated using 36.6% ratio and the balance sheet of Chongqing Water Group Co., Ltd as at 31 December 2015 and the financial statements of Chongqing Water Group Co., Ltd from January to November 2016 were consolidated using 50.0375% ratio and the financial statements of Chongqing Sanfeng Environmental Industry Group Co., Ltd for 2013, 2014 and 2015 were consolidated using 67.086% ratio. In 2016, since the company's shareholding ratio of Chongqing Sanfeng Environmental Industry Group Co., Ltd changed from 67.086% to 57.12% due to the capital increase of the latter, the financial statements of Chongqing Sanfeng Environmental Industry Group Co., Ltd from January to November 2016 were consolidated using 57.12% ratio in preparing the consolidated statements.

#### Revenue and profitability

##### *Comparison of results between the 11 months ended 30 November 2016 and the 11 months ended 30 November 2015*

The Target Group recorded revenue of RMB6,609,992,000 in the 11 months ended 30 November 2016, representing an increase of 19.23% as compared with RMB5,543,685,000 in the 11 months ended 30 November 2015. The increase is mainly due to the growth of revenue of the garbage processing and power generation segments and the commencement of payment of VAT tax to deduct part of the revenue from wastewater treatment since July 2015. The Target Group recorded a gross profit of RMB2,489,012,000 in the 11 months ended 30 November 2016, representing an increase of 7.32% as compared with RMB2,319,150,000 in the 11 months ended 30 November 2015. The Target Group's gross profit margin for the 11 months ended 30 November 2016 is 37.66%, stable as compared with 38.64% in 2015. Sales and administration expense for the 11 months ended 30 November 2016 amount to RMB783,649,000, up by 8.18% as compared with RMB724,423,000 in the same period of last year, mainly due to the increase in the salaries and other expenses in line with growth of revenue. Financial expenses for the 11 months ended 30 November 2016 were RMB174,595,000, representing an increase of RMB39,372,000 as compared with RMB135,222,000 in the same period of last year, mainly due to increased exchange losses resulting from exchange rate fluctuations. Investment income for the 11 months ended 30 November 2016 was RMB162,174,000, representing a decrease of RMB54,004,000 as compared with RMB216,178,000 in the same period of last year. Non-operating income of the 11 months ended 30 November 2016 was RMB310,308,000, representing an increase of RMB158,046,000 as compared with RMB152,262,000 in the same period of last year, mainly due to the timing differences of government subsidies and increases in the surcharge of municipal services and return of taxes. As by the 11 months ended 30 November 2016, the Target Group achieved net profit attributable to shareholders of the parent company in the amount of RMB896,079,000, representing an increase of 33.98% as compared with RMB668,808,000 in the 11 months ended 30 November 2015, mainly because 50.0375% ratio was used in consolidating the profit and loss of Chongqing Water Group Co., Ltd, its subsidiary in 2016, as compared with 36.6% in the same period of last year.

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## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

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### *Comparison of results between 2014 and 2015*

The Target Group recorded revenue of RMB6,438,244,000 in 2015, representing an increase of 14.54% as compared with RMB5,621,184,000 in 2014. The increase is mainly due to the growth of revenue of the garbage processing and power generation and engineering construction segments. The Target Group recorded a gross profit of RMB2,487,645,000 in 2015, representing an increase of 4.98% as compared with RMB2,369,545,000 in 2014. The Target Group's gross profit margin in 2015 was 38.64%, representing a slight decrease as compared with 42.15% in 2014, mainly due to the decrease in the VAT payment to deduct part of the revenue from wastewater treatment. Sales and administration expense in 2015 were RMB992,166,000, up by 12.05% as compared with RMB885,440,000 in the same period of last year, mainly due to increase in the salaries and other expenses in line with the growth of revenue. Financial expenses for 2015 were RMB125,813,000, representing an increase of RMB16,526,000 as compared with RMB109,287,000 in the same period of last year, mainly due to exchange rate fluctuations and interest rate cut in 2015. Investment income in 2015 was RMB281,828,000, representing an increase of RMB85,312,000 as compared with RMB196,516,000 in the same period of last year. Non-operating income in 2015 is RMB248,664,000, representing an increase of RMB43,266,000 as compared with RMB205,398,000 in the same period of last year, mainly due to government subsidies and the increase in tax returns. In 2015, the Target Group achieved net profit attributable to shareholders of the parent company in the amount of RMB647,544,000, representing an increase of 2.68%, which kept stable as compared with RMB630,633,000 in 2014.

### *Comparison of results between 2014 and 2013*

The Target Group recorded revenue of RMB5,621,184,000 in 2014, representing an increase of 8.92% as compared with RMB5,160,663,000 in 2013. The increase is mainly due to the growth of revenue of the garbage processing and power generation and engineering construction segments. The Target Group recorded a gross profit of RMB2,369,545,000 in 2014, representing an increase of 0.93% as compared with RMB2,347,767,000 in 2013. The Target Group's gross profit margin in 2014 was 42.15%, representing a slight decrease as compared with 45.49% in 2013, mainly due to increase of cost and decrease of gross profit in water segment. Sales and administration expense in 2014 were RMB885,440,000, up by 31.97% as compared with RMB670,963,000 in the same period of last year, mainly due to increase in the salaries, maintenance costs and other expenses in line with the growth of revenue. Financial expenses for 2014 were RMB109,287,000, representing an increase of RMB185,080,000 as compared with RMB175,793,000 in the same period of last year, mainly due to RMB213,287,000 exchange gains resulting from exchange rate fluctuations. Investment income for 2014 was RMB196,516,000 representing a decrease of RMB146,456,000 as compared with RMB342,972,000 in the same period of last year. Non-operating income in 2014 is RMB205,398,000, representing a decrease of RMB31,365,000 as compared with RMB236,763,000 in the same period of last year, mainly due to decrease in Government subsidies. In 2014, the Target Group achieved net profit attributable to shareholders of the parent company in the amount of RMB630,633,000, representing an increase of 16.23% as compared with RMB752,803,000 in 2013, mainly due to decrease in profit caused by increased financial expenses.

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

### Capital structure, liquidity and financial resources

The Target Group has a good cash flow management system, which includes the establishment of a dedicated cash management department to manage the cash flow of the Target Group and the responsibility mechanism under which each operating unit shall be responsible for its own cash flow. The Target Group generally provide working capital to its business and future plans from internal cash flow generated its operating activities and financing from banks.

Total assets of the Target Group on 30 November 2016 amounted to RMB30,307,664,000, including non-current assets of RMB18,109,576,000 and current assets of RMB12,198,088,000. Non-current assets mainly comprise fixed assets of RMB7,525,572,000, construction in progress of RMB2,958,134,000, intangible assets of RMB4,363,434,000 and long-term equity investment of RMB1,222,082,000. Current assets include cash and cash equivalents of RMB7,162,589,000, accounts receivable of RMB1,850,944,000, inventory of RMB811,680,000, and other current assets of RMB1,637,189,000. Current liabilities and non-current liabilities of the Target Group on 30 November 2016 were RMB5,735,217,000 and RMB6,650,914,000 respectively. Main current liabilities include accounts payable and receipts in advance of RMB3,704,276,000 and short-term borrowings and long-term borrowings due within one year of RMB630,233,000, while non-current liabilities include long-term borrowings of RMB3,224,562,000, bonds payable of RMB1,563,965,000 and other non-current liabilities of RMB675,000,000.

The net assets of the Target Group as at 31 December 2013, 31 December 2014, 31 December 2015 and 30 November 2016 are RMB15,751,057,000, RMB16,140,699,000, RMB17,077,974,000 and RMB17,921,533,000 respectively. gearing ratio of the Target Group on 31 December 2013, 31 December 2014, 31 December 2015 and 30 November 2016 were 36.63%, 38.55%, 37.71% and 40.87% respectively.

### Borrowing

*Unit: RMB*

Items	30 November 2016	31 December 2015	31 December 2014	31 December 2013
<b>Mortgaged loans</b>	<b>1,255,006,000.00</b>	<b>1,323,080,400.00</b>	<b>768,785,200.00</b>	<b>645,000,000.00</b>
Fixed interest rate	–	–	–	–
Floating interest rate	1,255,006,000.00	1,323,080,400.00	768,785,200.00	645,000,000.00
<b>Guaranteed loans</b>	<b>1,738,910,166.79</b>	<b>1,233,748,222.19</b>	<b>1,029,461,730.70</b>	<b>1,307,257,255.92</b>
Fixed interest rate	762,227,437.95	557,950,016.13	838,776,481.17	1,123,536,366.26
Floating interest rate	976,682,728.84	675,798,206.06	190,685,249.53	183,720,889.66
<b>Credit loans</b>	<b>860,879,241.87</b>	<b>921,527,195.05</b>	<b>682,500,440.50</b>	<b>591,538,277.65</b>
Fixed interest rate	414,239,871.21	536,357,055.90	253,282,645.24	266,573,350.15
Floating interest rate	446,639,370.66	385,170,139.15	429,217,795.26	324,964,927.50
<b>Total</b>	<b>3,854,795,408.66</b>	<b>3,478,355,817.24</b>	<b>2,480,747,371.20</b>	<b>2,543,795,533.57</b>



## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

As of 30 November 2016, borrowings repayable within one year of all borrowings were RMB630,233,000. In the year ended 31 December 2013, 2014 and 2015, the annual weighted average effective interest rate of such borrowings were 3.48%, 3.62% and 3.67%, respectively. In the 11 months ended 2016, the weighted average effective interest rate of these loans was 3.48%. As of 31 December 2013, 31 December 2014, 31 December 2015 and 30 November 2016, the Target Company did not use any interest rate swaps to hedge its interest rate risk.

### Segmental information

The Target Group's revenues and profits mainly come from mainland China, and no operational information is available about regional segments. The business operation is divided into four operational segments, namely sales of tap water, sewage treatment, construction and others, waste incineration and electricity generation. Relevant business data of such segments are as follows:

#### *Financial information by segment in the 11 months ended 30 November 2016*

Items	Sales of tap water	Sewage treatment	Construction and others	Waste incineration and electricity generation	Total
Operating income	976,540,580.65	1,918,048,675.45	2,856,581,322.49	858,821,916.62	6,609,992,495.21
Operating cost	723,882,413.54	783,632,846.92	2,274,786,234.71	338,679,149.92	4,120,980,645.09
Total assets	5,406,697,456.30	13,160,970,415.87	4,982,293,858.81	6,757,702,017.16	30,307,663,748.14
Total liabilities	2,105,207,402.39	4,486,746,216.32	2,140,852,553.01	3,653,324,720.57	12,386,130,892.29

#### *Financial information by segment for the year ended 31 December 2015*

Items	Sales of tap water	Sewage treatment	Construction and others	Waste incineration and electricity generation	Total
Operating income	984,024,367.21	2,081,796,990.92	2,620,620,726.07	751,801,846.51	6,438,243,930.71
Operating cost	774,598,799.26	826,215,733.95	2,045,794,516.85	303,990,096.87	3,950,599,146.93
Total assets	5,672,894,616.86	10,197,831,175.45	6,213,781,739.71	5,334,541,764.21	27,419,049,296.23
Total liabilities	2,523,126,266.93	2,843,343,965.43	2,337,575,398.45	2,637,029,789.90	10,341,075,420.71

## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

### *Financial information by segment for the year ended December 2014*

Items	Sales of tap water	Sewage treatment	Construction and others	Waste incineration and electricity generation	Total
Operating income	943,421,175.93	2,146,922,809.76	1,880,387,630.61	650,452,206.78	5,621,183,823.08
Operating cost	724,840,522.81	783,474,359.93	1,492,294,045.85	251,030,225.34	3,251,639,153.93
Total assets	5,541,103,075.38	9,729,083,913.84	5,982,293,858.81	5,012,502,561.00	26,264,983,409.03
Total liabilities	2,976,544,120.86	2,095,177,973.60	2,875,783,691.53	2,176,778,892.04	10,124,284,678.03

### *Financial information by segment for the year ended 31 December 2013*

Items	Sales of tap water	Sewage treatment	Construction and others	Waste incineration and electricity generation	Total
Operating income	889,640,097.45	2,338,947,988.00	1,405,080,764.71	526,994,498.38	5,160,663,348.54
Operating cost	660,876,267.21	744,848,402.62	1,127,677,630.74	279,494,162.86	2,812,896,463.43
Total assets	4,465,609,026.34	12,872,342,294.84	4,031,066,719.65	3,485,198,025.14	24,854,216,065.97
Total liabilities	2,020,970,780.79	4,288,074,699.23	2,055,280,498.32	738,833,467.83	9,103,159,446.17

*Water supply business:* According to the statistics from the Ministry of Housing and Urban, currently the popularizing rates of urban water usage in the PRC has reached 97.6%. The growth potential of the existing urban water supply is limited, but Water Group, a subsidiary of Derun Environment, owns the franchise of urban water supply and sewage treatment in most of the area in Chongqing. Accordingly, it will face relatively smaller fluctuations in its performance and profitability caused by market changes in the next decade. The revenue growth in water supply business of Derun Environment in 2014 amounted to 6.05% when compared with 2013, 4.3% in 2015 when compared with 2014 and 7.98% from January to November 2016 when compared with the corresponding period in 2015. The gross profit margin of the water supply business was 25.71%, 23.17%, 21.28% and 25.87% in 2013, 2014, 2015 and for the 11 months ended 30 November 2016 respectively.

*Sewage treatment business:* According to the statistics from the Ministry of Housing and Urban, currently the popularizing rate of sewage treatment in the PRC has reached 89.3%. The growth potential of the existing sewage treatment facilities is limited, but Water Group, a subsidiary of Derun Environment, owns the franchise of urban water supply and sewage treatment in most of the area in Chongqing. Accordingly, it will face relatively smaller fluctuations in its performance and profitability caused by market changes in the next decade. The revenue in sewage treatment business of Derun Environment decreased by 8.21% in 2014 when compared with 2013; 3% in 2015 when compared with 2014; and 1.9% from January to November 2016 when compared with the corresponding period in 2015. The gross profit margins of sewage treatment business were 68.15%, 63.51%, 60.31%, 59.14% in 2013, 2014, 2015 and for the 11 months ended 30 November 2016, respectively.

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## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

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*Construction and other business:* The revenue growth in construction and other business in 2014 amounted to 33.83% compared with 2013, 39.37% in 2015 compared with 2014 and 43.34% from January to November 2016 when compared with the corresponding period in 2015. The gross profit margins of construction and other business were 19.74%, 20.64%, 21.93% and 20.37% in 2013, 2014, 2015 and for the 11 months ended 30 November 2016, respectively.

*Waste incineration power generation business:* Garbage siege phenomenon is becoming increasingly serious, demand for harmless processing has increased significantly. During the end of the PRC's Twelfth Five - Year Plan, the capacity of the country's urban waste incineration facilities reached the total capacity of more than 35%, and the total investment in waste incineration will reach RMB88.9 billion. San Feng Environment, a subsidiary of Derun Environment, has formed the following advantages in the PRC domestic waste disposal industry: it has the leading core facilities and technology in the country, operational management of the world's advanced level, industry chain integrity, industry leading position, leading market share in the country (its market share in waste incineration technology and equipment in the PRC market share is 34%, ranking first in the country). Under the increasing market demand in future, the performance and profitability of San Feng Environment is expected to further increase in future. The growth rate of waste incineration power generation business amounted to 23.43% in 2014 as compared with 2013, 15.58% in 2015 as compared with 2014 and 24.27% from January to November 2016 as compared with the corresponding period in 2015. The gross profit margin of the waste incineration power generation business was 46.96%, 61.41%, 59.57% and 60.56% for 2013, 2014, 2015 and for the 11 months ended 30 November 2016, respectively. The waste incineration power generation business continued to grow rapidly, which is benefited from the growth of future market demand. It is expected that the performance and profitability in the waste incineration power generation business will be further enhanced.

### **Major investments, capital expenditures and assets disposals**

In 2015, Chongqing Water Assets Management Co., Ltd. transferred its 67.085% equity interest of Chongqing Sanfeng Environmental Industry Group Co., Ltd. to Chongqing Derun Environment Co., Ltd, resulting in an increase in the capital reserve of RMB2,278,796,047.70. Chongqing Water Assets Management Co., Ltd and Chong Qing Su Yu Industrial Development Co., Ltd contributed to the capital increase of Chongqing Derun Environment Co., Ltd through injection of their 36.6% shares of Chongqing Water Group Co., Ltd and 13.44% shares of Chongqing Water Group Co., Ltd together with cash of RMB442,082,360.71, respectively, leading to an increase of RMB84,275,014.96 of the registered capital, and an increase of RMB7,160,297,535.11 in the capital reserves. After the capital increase, Chongqing Derun Environment Co., Ltd. held 50.0375% shares in Chongqing Water Group Co., Ltd. In addition, for the years ended 31 December 2013, 2014 and 2015 and the 11 months ended 30 November 2016, the Target Group has no other major investments or discloseable information related to major acquisitions and the disposal of its subsidiaries, associated companies and joint ventures.

As at the Latest Practicable Date, the Target Group has no plan for any major investments or purchases of capital assets.

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## APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT

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### Foreign exchange risk

The Target Group operates in mainland China, and its main activities are denominated in RMB, so its exposure to changes in the foreign exchange market is insignificant. The company's exposure to foreign exchange rate risk mainly stems from long-term borrowings denominated in foreign currencies. The RMB amount converted from borrowings denominated in foreign currencies are set out as follows:

Items	30 November 2016	31 December 2015	31 December 2014	31 December 2013
Long-term borrowing	774,901,372.58	756,302,158.41	780,971,709.23	920,504,418.11
Among which: JPY	634,690,575.39	596,019,178.88	604,420,552.20	720,322,624.03
USD	137,135,105.84	156,675,979.28	171,795,228.06	193,720,889.66
EUR	3,075,691.35	3,607,000.25	4,755,928.97	6,460,904.42
Non-current liabilities due within one year	44,598,950.31	38,781,948.25	37,068,839.10	46,208,209.30
Among which: JPY	43,648,393.93	37,862,919.00	36,103,127.84	45,117,723.44
USD	–	–	–	–
EUR	950,556.38	919,029.25	965,711.26	1,090,485.86

The Target Group's financial liabilities denominated in various foreign currencies only account for a small portion in its total assets. Due to fluctuations in the exchange rate of JPY during the recent years, changes in the exchange rate of the JPY had some impact on the Group. As at 31 December 2013, 31 December 2014, 31 December 2015 and 30 November 2016, the Target Group had not hedged foreign currency risks.

### Employees and remuneration policies

The remuneration package for the employees of the Target Group includes salaries, bonuses and other benefits. The Target Group had no bonus and share option schemes. As at 31 December 2013, 2014, 2015 and 30 November 2016, the Target Group had 6,127, 6,118, 6,318 and 6,358 staff, respectively. For the years ended 31 December 2013, 2014 and 2015 and the 11 months ended 30 November 2016, total staff costs are RMB495,953,052.37, RMB549,692,624.43, RMB662,347,716.15 and RMB673,393,902.16 respectively.

### Staff training

Except for the trainings on environmental protection industry and acquisition and merger during the period ended 30 November 2016, the Target Group has no further discloseable information on trainings.

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## **APPENDIX II FINANCIAL INFORMATION OF DERUN ENVIRONMENT**

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### **Gearing Ratio**

The gearing ratio is calculated by dividing the net debt by the total capital. The net debt is calculated by reducing the restricted cash, cash and cash equivalents from the total amount of borrowings (including spot and long-term borrowings and long-term bonds). The total capital is calculated by adding the total amount of equity interest and the net debt. As at 31 December 2013, 31 December 2014, 31 December 2015 and 30 November 2016, the Target Company's gearing ratio was 1.66%, 6.78%, 0% and 0%, respectively.

### **Pledge of assets**

As at 30 November 2016, the net intangible assets with a net book value of RMB657,637,000, fixed assets with a net value of RMB229,000 and accounts receivable with a net value of RMB210,678,000 have been pledged as collaterals for borrowings for the Target Group. As at 31 December 2013, 2014 and 2015, net intangible assets with a net book value of RMB502,923,000, RMB502,223,000 and RMB620,423,000 respectively and fixed assets with a net value of RMB682,000, RMB530,000 and RMB336,000 respectively and accounts receivables in the amount of RMB27,307,000, RMB41,857,000, and RMB74,265,000 have been pledged as collaterals for the borrowings of the Target Group.

### **Contingent liabilities**

As at 31 December 2013, 2014, 2015 and 30 November 2016, the Target Group had no significant contingent liabilities.

### **Business prospects**

The target Group is principally engaged in the environmental pollution control, soil restoration treatment, green technology development, application and consulting services, investment, development and management of waste treatment and incineration electricity generation projects, investment, operation and construction and management of drainage projects, management of urban water supply and system, water environment treatment as well as other environmental protection services. During the "13th-Five-year Plan" period, China's environment management will shift from solely control of total quantity of pollutants to environment improvement and control of total quantity of pollutants. Environmental-related projects are included in key tasks and work at all levels of governments and have been attached more importance. The introduction of new policies is bound to bring about more investment demand.

- A. *The following is the text of a report received from Ernst & Young prepared for the purpose of incorporation in this circular in respect of unaudited pro forma financial information of the Enlarged Group.*

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE  
ENLARGED GROUP**

To the Directors of Shenzhen Expressway Company Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Shenzhen Expressway Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") and Chongqing Derun Environment Company Limited and its subsidiaries (the "Target Group") (together with the Group hereafter collectively referred to as the "Enlarged Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group (the "Unaudited Pro Forma Financial Information") as at 31 December 2016. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in note A to Appendix III to the circular of the Company dated 29 May 2017 (the "Circular").

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the acquisition of 20% equity interest of the Target Group by the Company on the Group's financial position as at 31 December 2016 as if the transaction had taken place at 31 December 2016. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's consolidated financial statements for the year ended 31 December 2016.

**Directors' responsibility for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to *Accounting Guideline ("AG") 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

**Our independence and quality control**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting accountants' responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the acquisition of 20% equity interest of the Target Group by the Company on the Group's financial position as at 31 December 2016 as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provides a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regarded to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

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

**Opinion**

In our opinion:

- the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- such basis is consistent with the accounting policies of the Group; and
- the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

**Ernst & Young Hua Ming LLP**

Beijing, China  
29 May 2017



**B. Unaudited pro forma financial information of the Enlarged Group**

The following is the unaudited pro forma financial information of the Enlarged Group (the “Unaudited Pro Forma Financial Information”) prepared by the Directors to illustrate the financial position of the Enlarged Group as at 31 December 2016 as if the transactions contemplated under the Acquisition Agreement had been completed on 31 December 2016. The Unaudited Pro Forma Financial Information has been prepared by the Directors for illustrative purposes only and because of its hypothetical nature, it does not purport to represent the true picture of the financial position of the Enlarged Group as at 31 December 2016 or at any future date had the transaction taken place on 31 December 2016.

The Unaudited Pro Forma Financial Information is prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2016 extracted from the 2016 annual report of the Company, and the pro forma adjustments described in the accompanying notes are prepared in accordance with Rule 4.29 of the Listing Rules.

Besides, for the Unaudited Pro Forma Financial Information, in the opinion of the Directors, the fair value of the identifiable assets and liabilities might change after the date when the circular was announced, as the fair value of the identifiable assets and liabilities of the Target Group would be completed on the date when the acquisition was finished. As the Unaudited Pro Forma Financial Information was only for the illustrative purpose, the Directors assumed that the fair value of the identifiable assets and liabilities were approximate to the carrying amount. The possible changes on the fair value of the identifiable assets and liabilities of the Target Group are not presented in the Unaudited Pro Forma Financial Information.

**Enlarged Group unaudited pro forma consolidated statement of assets and liabilities**

	<b>The Group as at 31 December 2016</b>	<b>Pro forma adjustments</b>	<b>Pro forma Enlarged Group as at 31 December 2016</b>
	(Audited)	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Note 1</i>	<i>Note 2</i>	
<b>Current assets</b>			
Cash at bank and on hand	5,663,898	(4,600,000)	1,063,898
Accounts receivable	545,051	-	545,051
Notes receivable	2,928	-	2,928
Prepayments	245,986	-	245,986
Interest receivable	15,870	-	15,870
Other receivables	99,298	-	99,298
Inventories	663,114	-	663,114
Held for sale assets	-	-	-
Current portion of non-current assets	124,169	-	124,169
Financial assets at fair value through profit or loss	74,991	-	74,991
Other current assets	564,329	-	564,329
<b>Total current assets</b>	<b>7,999,634</b>	<b>(4,600,000)</b>	<b>3,399,634</b>

**APPENDIX III**
**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE ENLARGED GROUP**

	The Group as at 31 December 2016	Pro forma adjustments	Pro forma Enlarged Group as at 31 December 2016
	(Audited)	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Note 1</i>	<i>Note 2</i>	
<b>Non-current assets</b>			
Long-term prepayments	184,698	–	184,698
Financial assets available-for-sale	43,490	–	43,490
Long-term receivable	16,519	–	16,519
Long-term equity investments	4,703,282	4,600,000	9,303,282
Investment properties	13,526	–	13,526
Fixed assets	1,027,753	–	1,027,753
Construction in progress	13,575	–	13,575
Intangible assets	18,323,851	–	18,323,851
Goodwill	–	–	–
Long-term prepaid expenses	5,374	–	5,374
Deferred tax assets	53,142	–	53,142
Other non-current assets	–	–	–
<b>Total non-current assets</b>	<b>24,385,210</b>	<b>4,600,000</b>	<b>28,985,210</b>
<b>Total assets</b>	<b>32,384,844</b>	<b>–</b>	<b>32,384,844</b>
<b>Current liabilities</b>			
Accounts payable	219,558	–	219,558
Advances from customers	227,630	–	227,630
Employee benefits payable	108,838	–	108,838
Taxes payable	156,192	–	156,192
Interest payable	100,188	–	100,188
Other payables	2,387,125	–	2,387,125
Current portion of non-current liabilities	1,582,011	–	1,582,011
Deferred revenue	2,646	–	2,646
<b>Total current liabilities</b>	<b>4,784,188</b>	<b>–</b>	<b>4,784,188</b>
<b>Non-current liabilities</b>			
Long-term borrowings	1,783,024	–	1,783,024
Bonds payable	3,742,864	–	3,742,864
Provisions	127,474	–	127,474
Deferred revenue	158,797	–	158,797
Deferred tax liabilities	1,239,320	–	1,239,320
Other non-current liabilities	5,837,822	–	5,837,822
<b>Total non-current liabilities</b>	<b>12,889,301</b>	<b>–</b>	<b>12,889,301</b>
<b>Total liabilities</b>	<b>17,673,489</b>	<b>–</b>	<b>17,673,489</b>

**NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP:**

- (a) The audited consolidated statement of assets and liabilities of the Group as at 31 December 2016 is extracted from the Group's published audited consolidated financial statements for year ended 31 December 2016.
- (b) For the purpose of preparing the Unaudited Pro Forma Financial Information, it is assumed that Shenzhen Expressway Co., Ltd. had completed the acquisition of 20% equity interest in Chongqing Derun Environment Co., Ltd. on 31 December 2016, and it is assumed that the initial purchase price had been settled in its full amount of RMB4,600,000,000 in cash and cash equivalents.
- (c) The pro forma adjustment represents that the Company acquired 20% equity interest of the Target Group at cash price approximately amounting to RMB4,600,000,000 which is the maximum bid price authorized by the Board. The bid price is determined by the Company referred to the opinions provided by Huarong International Capital Limited, the financial adviser. In the opinion of the Directors, the price exceeds the proportion of the identifiable assets and liabilities of the Target Group owned by the Company when the investment takes place.
- (d) The transaction costs of the Transaction are immaterial and have not been taken into account for the purpose of preparing the Unaudited Pro Forma Financial Information.
- (e) No other adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2016.

*The following is the valuation report of Derun Environment prepared by Huarong for the purpose of incorporation in this circular.*

#### VALUATION REPORT OF CHONGQING DERUN ENVIRONMENT CO., LTD

*The following is the text of a business valuation report, prepared for the purpose of incorporation in this circular received from Huarong International Capital Limited, a wholly owned subsidiary of Huarong International Financial Holdings Limited in connection with the business valuation of Chongqing Derun Environment Co., Ltd as at 30 November 2016.*



Huarong International Capital Limited  
29/F, One Pacific Place, 88 Queensway, Admiralty, Hong Kong

To the Company:

**RE: Equity Interest Valuation of Chongqing Derun Environment CO., Ltd (the “Subject Company” or “Derun Environment”)**

In accordance with an instruction from Shenzhen Expressway Company Limited (the “Company” or the “Instructing Party”), we hereby provide a valuation on the fair value basis of the equity interests of the Subject Company as at 30 November 2016 (the “Valuation Date”).

#### **Premise of valuation**

In formulating our work, we have made reference to the statements, information, opinions, beliefs and representations for matters relating to the company contained in the composite document and the information and representations provided to us by the Company and/or its senior management staff (the ‘Management’) and/or the Directors we have assumed that all such statements, information, opinions, beliefs and representations contained or referred to in the composite document or otherwise provided or made or given by the Company and/or Management and/or the Directors and for which it is/they are solely responsible were true and accurate, and valid and complete in all material respects as at the date of the composite document. We have assumed that all the opinions, beliefs and representations for matters relating to the Company made or provided by Management and/or the Directors contained in the composite document have reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and/or Management and/or the Directors that no material facts have been omitted from the information provided and referred to in the composite documents.

We consider that we have been provided with sufficient information and documents to enable us to reach an informed view and Management has assured us no material information has been withheld from us to allow us to reasonably rely on the information provided so as to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions, beliefs and representations provided to us by the Company and/or Management and/or the Directors and their respective advisors or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification of the information provided. Nor have we conducted any independent investigation into the financial information and forecasts, business and affairs of the Company, the Subject Company and their shareholder(s) and subsidiaries or affiliates, and their respective histories, experience and track records, or the prospects of the markets in which they respectively operate.

**Profile of the Subject Company**

Name:	Chongqing Derun Environment Limited
Type:	Company with limited liability
Date of incorporation:	14 October 2014
Address:	20-1 Block 3,101 Cui Bo Road, Chunhuilu Street, Dadukou District, Chong Qing
Registered capital:	RMB1 billion
Business sector:	Environmental Engineering
Business scope:	Renewable energy recycling and resources utilization; environmental pollution control; soil remediation; environmental technology development, application and consulting services; waste disposal and incineration power generation project investment, development and management; water resources protection and treatment; environmental monitoring; environmental pollution research and manufacturing of environmental control equipment; investment, asset management and financial advisor (Shall not engage in banking, securities, insurance, etc.)
Business term:	from 14 October 2014 to permanent

The subsidiaries of the Subject Company are as follow :

Name	Shareholding percentage	Date of incorporation	Registered Capital (10,000 RMB)
Chongqing Sanfeng Environmental Industrial Group Co., Ltd	57.12%	2009.12.4	126,674.8296
Chongqing Water Group Co., Ltd	50.04%	2001.1.11	480,000
Chongqing Derun Environmental Technology Industry Co., Ltd	60%	2015.8.5	30,000

Chongqing Water Group Co., Ltd is principally engaged in the investment, operation, construction and management of urban water supply and drainage projects. the company also involves in the management of urban water supply and drainage system devices, design of water supply and drainage engineering and provision of technology consulting services. Company operates its businesses through sewage treatment business, the distribution of tap water, engineering construction, as well as other businesses. Company operates its businesses primarily in Chongqing, China. Chongqing water has achieved revenue of about RMB4.488 billion in the year 2015, attributable to the parent company net profit of about RMB1.552 billion.

Chongqing Sanfeng Environmental Industrial Group Co., Ltd was established in December 4, 2009. It is an environmental group providing full chain services in the WTE industry, including project investment, construction, operation and equipment supply. Sanfeng environment also engaged in waste power plant EPC, power generation technology, core equipment supply and waste water/gas EPC and operation. In 2015, Sanfeng has achieved a revenue of approximately RMB 2.166 billion and a net profit of approximately RMB 237 million.

Chongqing Derun Environmental Technology Industry Co., Ltd. was established in August 5, 2015. In March 4, 2015, Chongqing Dadukou District People's Government to the Chongqing Municipal Trade and Industry Bureau issued a "support for the establishment of Chongqing Environmental Protection Technology Industrial Park operation and management company letter." In order to promote the investment, construction and operation of Chongqing Environmental Protection Technology Industrial Park, Suez Environment Asia Limited, Chongqing Environmental Science Institute and Chongqing Jianqiao Industrial Development Co., Ltd. set up a joint company of "Chongqing Derun Environmental Technology Industry Co., Ltd, with a total investment of RMB900 million and a registered capital of RMB300 million.

## Financial overview of the Subject Company

Unit: 10,000 RMB

<b>Summary of Income Statement</b>	<b>2016-11-30 (11 months)</b>	<b>2015-12-31 (12 months)</b>
Operating Income	660,999.25	660,414.48
Net Profit	170,608.90	186,276.44
Net profit attributable to shareholders of parent company	89,607.86	71,546.81
<b>Summary of Balance Sheet</b>		
Total Assets	3,030,766.37	2,740,080.42
Total Liabilities	1,238,613.09	1,015,524.65
Net Assets	1,792,153.29	1,724,555.77
Attributable to shareholders of the parent company	965,442.46	931,657.16
<b>Summary of Cash Flow Statement</b>		
Net cash flow from operating activities	250,067.68	245,988.54
Net cash flow from investing activities	-147,297.77	149,865.09
Net cash flow from financing activities	-52,703.51	-194,145.77

**Selection of valuation approaches:**

In accordance with the market practice, an entity can be valued under three approaches, income (present value) approach, market approach and asset-based approach. Income (present value) approach is the quantification and capitalization of the expected earning power of the overall assets of an entity, and it stresses on the overall expected profitability of an entity. Market approach refers to method of valuation in which the present fair market value of the valuation target is valued by comparing it with the references in the real market. The valuation data of this approach could be directly sourced from the market and the result of valuation could be strongly convincing. Assets-based approach refers to the method of valuation in which the value of the assets valued is recognized by reasonable valuation on the assets and liabilities of an entity.

Since the income approach requires companies to have a forecast of future cash flows. However, the Subject Company and its affiliated companies, whether subject to regulatory restrictions or other circumstance restrictions, was unable to provide a profit forecast with auditor's review, therefore we believe that a reasonable basis to use income approach cannot be established.

Asset-based approach refers to the method of valuation in which the entity value is determined by its input and output, which is the aggregate of the value of each asset and liability of the entity as assessed on reasonable ground. The subsidiaries of the entity valued generally operate in BOT mode. In accordance with the "Agreement of Franchised Operation" and "Agreement of Entrusted Operation" entered into between the entity valued as well as the local government in which the entity is located, the ownership of assets of the entity valued shall be transferred to the local government at nil consideration upon the expiry of the concession period and from which onwards the entity shall no longer entitle to the ownership of the operation assets. Hence, asset-based approach is not applicable in this task.

The Subject Company is under the category of the public sector environmental protection industry. Its main operating company, Chongqing Water Group, is a listed company in Shanghai Stock Exchange. There are similar listed companies in Hong Kong and Mainland China stock exchange market. Therefore, we believe the market approach is appropriate in this valuation.

#### Valuation model

While the PE method adopts the development trend and profitability as the basis for judgement, it can better reflect the value of an enterprise. Therefore, the PE method is selected as the value ratio for this valuation.

Value of the Subject Company Equity Interests = Net Profit × PE

#### Valuation based on comparable M&A transactions

We have selected five transaction deals in 2016, which is in line with the valuation date. In addition, the five selected comparable M&A transactions are acquisition of unlisted environment related business by listed non-environmental companies, details of which are as follows:

Sell Side/Acquired Shares	Buy Side	Transaction (10,000 RMB)	PE Ratio
Lanke Environment/4.5%	–	–	19.83
Foshan Lvrui/10%	Hainan Ruize (002596.SZ)	15,000.00	36.34
Sino Environment/1.818%	Nanhua Instrument (300417.SZ)	1,104.00	18.52
Kaitian Environment/6.22%	China Aerospace Science and Industry Corps	5,604.10	22.21
Suzhou Koovine/100%	United Technology (000925.SZ)	68,200.00	15.37
		Highest	36.34
		Lowest	15.37
		Average	22.45

Source: Wind



We believe that these five companies are comparable to the Subject Company. Their business outlook are as follows:

Lanke Petrochemical

Shanghai Lanke Petrochemical Environmental Protection Technology Co., Ltd. is a high-tech enterprise which is committed to providing green technology and environmental management integrated solutions for petrochemical and coal chemical industry. It provides customers with overall plan, process package, engineering design service and full set patented equipment. The company has involved in chemical, petrochemical, pharmaceutical industry, oil and chemical products storage and transportation, chemical engineering professional design, the provision of services including technology development, project planning consulting, project proposals, feasibility studies, basic engineering design, detailed engineering design, as well as engineering procurement, project management, general contracting and operation and management services, has been formed, including green technology, waste gas treatment and waste water treatment in three areas of the series of technology.

Foshan Lvrn

Foshan Lvrn Environmental Management Co., Ltd. (formerly Foshan Lvrn Waste Disposal Co., Ltd.) was established in January 2006, which is a comprehensive environmental management company providing integrating project investment, operation, design, management and production services. The company provide services on environmental cleaning, environmental technology, water treatment technology, scientific research design, production and construction, engineering operation and management. The company has also involved in environmental sanitation and sanitation integrated services, landscaping integrated services, solid waste treatment, waste gas treatment, noise prevention and control engineering, hazardous waste disposal, environmental engineering design, construction, operation, management, environmental protection equipment and water supply and drainage equipment manufacturing, real estate investment, hotel industry and other fields.

Green Environmental

Guangzhou Green Environmental Protection Co., Ltd. was established in 1997, by the former State Environmental Protection Bureau directly under the China Green Environment Development Center. Providing full environmental services of the Pearl River Delta and the Yangtze River Delta region. Company products and services including: engineering consulting services, environmental impact assessment, engineering design services, engineering contracting construction, environmental protection facilities operation.

## Kaitian Environment

Kaitian Environment is a professional engineering firm dedicated to environmental planning, environmental protection product design, manufacturing, engineering installation, environmental protection facilities, was awarded the first batch of the environmental services pilot enterprises by the State Environmental Protection Department. Scope of business including environmental management of industrial plants, the atmospheric environment of flue gas desulfurization and denitrification dust treatment (fine particulate PM2.5 treatment), heavy metal waste water treatment, waste residue treatment, soil remediation, water pollution control, agricultural management, environmental services, solid waste disposal and other environmental business.

## Suzhou Koovine

Suzhou Koovine Environmental Protection Technology Co., Ltd. was established in June 2009, located in Kunshan City, Jiangsu Province, Huaqiao Economic Development Zone, provide a combined services of sewage treatment system design, equipment manufacturing, installation and technical services. Company has domestic advanced production base in Jiangxi Pingxiang, with independent intellectual property rights of the production of various types of water treatment system equipment and products.

The audited net profit of the Subject Company for the nine month ended on November 30, 2016 was RMB890 million. By assuming the company's performance in December 2016 is consistent to that of the previous 11 months, we have estimated the net profit for the year 2016 to be approximately RMB977 million. Together with the average price-earnings ratio 22.45x of selected M & A transactions, 20% of the Subject Company's equity interest is about RMB4,380 million.

**Based on separate valuation of affiliated companies**

The Subject Company is a holding company for three subsidiaries companies: Apart from Chongqing Water Group and Sanfeng Environment, we are informed that Chongqing Derun Environmental Technology Industry Co Ltd . and the remaining members and investment of the subject company are still in the stage of subscription, which have no significant values found.

It is noted that the Company is a joint stock limited company, which are listed in the PRC and Hong Kong by way of A shares and H shares. Sanfeng Environment, a major subsidiary of Derun Environment, specializes in the investment, construction and operation of waste incineration power generation plants, We, therefore, have selected six A shares and five H shares industrial environment protection listed companies for comparison, the business of which are considered to be in line with that of Sanfeng Environment based on Bloomberg and Internet search.

The list of Comparables are searched from Bloomberg and Internet is considered to be sufficient for our valuation. However, use of these database did not guarantee the outcomes to be exhaustive.

	Historical PE	Expected PE
<b>A Share</b>		
000035CH China Tianying	41.32	–
000027CH Shenzhen Energy Group	18.49	–
600567CH China Western Power Industrial	52.34	26.89
600475CH Wuxi Huaguang Boiler	45.71	26.10
002479CH Zhejiang Fuchunjiang Environmental	55.17	23.61
300090CH Anhui Shengyun Environment Protection	19.31	18.78
<b>H Share</b>		
1381HK Canvest Environmental Protection	21.90	23.39
735HK China Power New Energy	20.15	8.41
154HK Beijing Enterprises Environment	29.12	–
3989HK Capital Environment Holdings	123.65	10.65
1330HK Dynagreen Environmental Protection	11.3	12.12
Highest	123.65	26.89
Lowest	11.3	8.41
Average(*)	33.72	19.11

Source: Bloomberg

(\*) Excluding the highest and lowest figure

The table above shows the average historical PE is 33.72x, while the average expected PE is 19.11x.

The audited net profit of Sanfeng Environment is about RMB230 million yuan in the year 2015. By using the historical PE ratio, Sanfeng Environment worth about RMB8 billion. In view of the fact that the Subject Company holds 57.12 percent equity interest in Sanfeng Environment, the equity interest of the Subject Company's Sanfeng Environment worth approximately RMB4.57 billion, of which 20 percent is approximately RMB910 million.

According to the information of the Subject Company, we expect its annual profit growth rate to be 40 percent in 2016. Therefore the annual net profit of 2016 is expected to be about RMB330 million. With the use of the expected PE ratio, Sanfeng Environment worth about RMB6.3 billion, as the Subject Company holds 57.12 percent interest in Sanfeng Environment, such equity interest worth about RMB3.62 billion, of which 20 percent equity interest of Sanfeng Environment held by the Subject Company is approximately RMB720 million.

Chongqing Water Company (601158 CH) is a listed company in Shanghai Stock Exchange. The market value of Chongqing Water Group is RMB37.78 billion on the Valuation Date. The equity interest held by the Subject Company on Chongqing Water Group is about RMB18.9 billion, 20 percent of which is about RMB3.78 billion.

As Chongqing Derun Environmental Technology Industry Co., Ltd., Zhongyu (Chongqing) Environmental Protection Industry Development Co., Ltd. and Chongqing Derun Xinbang Environmental Restoration Co., Ltd. are still in the process of establishment, we expect that they have no significant value. Therefore, the equity interest of the Subject Company is mainly composed by Chongqing Water Group and Sanfeng Environment. On the Valuation Date, 20 percent equity interest of the Subject Company is between RMB4.5 billion and RMB4.7 billion.

### **Conclusion**

Based on different computation adopted, and with the use of the weighted average method. We consider that as at 30 November 2016, the fair value of:

20 percent equity interest of Chongqing Derun Environment Co., Ltd.  
is approximately in the sum of RMB4,527,000,000.00  
(RENMINBI FOUR THOUSAND FIVE HUNDRED TWENTY SEVEN MILLION)

### **Valuation assumptions**

In this valuation, three basic valuation assumptions are adopted:

Transaction assumption assumes that all the assets to be valued are ready for transaction. we make the valuation according to the simulated market such as transaction conditions of the assets to be evaluated. Transaction assumption is the most fundamental assumption for asset valuation.

Open market assumption assumes that both trading parties of the assets traded in the market or the assets to be traded in the market are in the same position and have opportunities and time to obtain sufficient market information so as to make reasonable judgment upon the function, usage and transaction price of assets. Open market assumption is based on the assets publicly available for transaction in the market.

Assumption on continuing operation of assets means that the asset under valuation could be used continuously based on the current purposes and methods of usage, size, frequency and environment during valuation, or the method of valuation, parameters and basis shall be determined accordingly whenever there is any change in the use of such assets.

### **Other important assumptions**

Due to the changing environment in which the Subject Company is operating and their early stage of businesses, a number of operating assumptions have been prepared by the management of the Subject Company in order to sufficiently support our concluded opinion of the fair values. The assumptions are listed as follows:

The Subject Company will continue to manage and operate their waste treatment and power generation business in the PRC and fulfill all legal and regulatory requirements for the continuation of their business;

There will be no material changes in politics, laws, rules or regulations where the Subject Company currently operate which may materially and adversely affect the operations of the waste treatment business;

There will be no major changes in the current taxation law where the Subject Company currently operate which will materially affect the profits, that the rates of tax payable remain unchanged and that all applicable laws and regulations in relation to taxation in the PRC will be complied with;

There will not be any adverse events beyond the management's control, including natural disasters, catastrophes, fire, explosion, flooding, acts of terrorism and epidemics that may adversely affect the operations of the Subject Company;

Any financial statements, service contracts, schedule of assets and their conditions or other relevant information as provided by the Subject Company and the Instructing Party in connection with the valuation is true, lawful, complete and credible.

#### **Disclaimer and limitation**

The valuation is based on the information provided by the Company and we have no obligation to verify the authenticity, accuracy and completeness of the information and data.

The results of this report are valid only for the purposes mentioned and on the Valuation Date and are for reference only to the Board of Directors. This report is for informational purpose only on the circular issued by the Company on 29 May 2017.

Any decision to purchase, sell or transfer any interest in the valuation subjects shall be the owners'/buyers' sole responsibility, as well as the structure to be utilized and the price to be accepted. The selection of the price to be accepted requires consideration of factors beyond the information we will provide or have provided. An actual transaction involving the subject businesses might be concluded at a higher value or at a lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivations of the buyers and sellers at that time.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors, supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors and the chief executives were taken or deemed to have under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules were as follows:

### Long positions in ordinary shares of SZ International

Name	Number of ordinary shares held as at the Latest Practicable Date	Approximately percentage of issued share capital of SZ International	Nature of Interest	Capacity
Hu Wei	120,716	0.01%	Personal	Beneficial Owner
Tse Yat Hong	1,481,674	0.07%	Personal	Beneficial Owner

### Interests in share options of SZ International

Name	Share Option unexercised as at the Latest Practicable Date <sup>(note 1)</sup>	Nature of Interest	Capacity
Hu Wei	1,050,000	Personal	Beneficial Owner
Wang Zeng Jin	400,000	Personal	Beneficial Owner
Liao Xiang Wen <sup>(note 2)</sup>	200,000	Personal	Beneficial Owner
Zhao Jun Rong	1,050,000	Personal	Beneficial Owner
Tse Yat Hong	630,000	Personal	Beneficial Owner
Liu Ji	360,000	Personal	Beneficial Owner
Zhong Shan Qun	1,050,000	Personal	Beneficial Owner

*Note:*

1. The share options were granted on 29 January 2014 and could be exercised during the period from 29 January 2016 to 28 January 2019, according to the grant provisions, with the exercise price HK\$10.4 per share.
2. The interest is owned by the Director Liao Xiang Wen' spouse.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, supervisors and chief executives of the Company was interested in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors, supervisors or the chief executives were taken or deemed to have under such provisions of the SFO) or which are required to be entered into the register maintained by the Company under section 352 of the SFO or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Mr. Zhong Shan Qun is an executive director of SZ International. Mr. Hu Wei and Mr. Zhao Jun Rong are vice-presidents of SZ International and Mr. Tse Yat Hong is the chief financial controller of SZ International. Mr. Liu Ji is General Manager of Investment and Acquisition Department of Shenzhen International.

### **3. COMPETING INTEREST**

As at the Latest Practicable Date, none of the Directors and their respective close associates were interested in any business, apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business.

### **4. INTERESTS IN ASSETS, CONTRACT OR ARRANGEMENT**

As at the Latest Practicable Date, none of the Directors or supervisors of the Company is materially interested in any contracts or arrangement entered into by any members of the Group which is subsisting at the date of this circular and which is significant in relation to the business of the Group.

None of the Directors or supervisors of the Company has any direct or indirect interest in any assets which have been, since 31 December 2016, being the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to any members of the Group, or are proposed to be acquired or disposed of by, or leased to any members of the Group.

### **5. MATERIAL ADVERSE CHANGE**

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2016, the date to which the latest published audited consolidated accounts of the Group have been made up.

## 6. MATERIAL ACQUISITIONS

Since 31 December 2016 (being the date to which the latest published audited accounts of the Company have been made up), the Group has entered into the following material acquisitions subsequently:

On 20 January 2017, the Company and Shenzhen Pingan Innovation Capital Investment Company Limited entered into an equity transfer agreement, pursuant to which the Company agreed to acquire 100% interest in Hunan Yichang Expressway Development Company Limited from Shenzhen Pingan Innovation Capital Investment Company Limited at a cash consideration of RMB1,270 million. The major asset of Hunan Yichang Expressway Development Company Limited is the operation rights of Yichang Expressway. Yichang Expressway is a two-way expressway with four lanes which starts from Zijiang Second Bridge, Yiyang City, Hunan and ends in Deshan Tanshuping, Changde City, Hunan with a total length of approximately 73.1 km for its main lane.

## 7. LITIGATION

As at the Latest Practicable Date, no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

## 8. SERVICE CONTRACTS

No service contracts that cannot be terminated by the Group within one year without compensation (other than general statutory compensation) have been or proposed to be entered into between the Group and the Directors as at the Latest Practicable Date.

## 9. EXPERTS

- 1) The following are the qualifications of the experts who have given opinion or advice contained in this circular:

<b>Name</b>	<b>Qualification</b>
Ruihua	Certified Public Accountants, the PRC
Ernst & Young	Certified Public Accountants, the PRC
Huarong	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activities under the SFO

- 2) As at the Latest Practicable Date, each of Ruihua, Ernst & Young and Huarong had no shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.



- 3) Each of Ruihua, Ernst & Young and Huarong has given and has not withdrawn its written consent to the issue of this circular, with inclusion of its letter or report and references to its name in the form and context in which it is included.
- 4) As at the Latest Practicable Date, each of Ruihua, Ernst & Young and Huarong was not interested, directly or indirectly, in any assets which had since 31 December 2016 (being the date to which the latest published audited accounts of the Group were made up) been acquired or disposed of by or leased to any member of the Group or which are proposed to be acquired or disposed of by or leased to any member of the Group.

## 10. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Group within the two years immediately preceding the date of this circular and are, or may be, material:

- 1) Equity Transfer Agreement;
- 2) the equity transfer agreement in relation to the acquisition of 100% interest in Hunan Yichang Expressway Development Company Limited entered into between the Company and Shenzhen Pingan Innovation Capital Investment Company Limited on 20 January 2017;
- 3) the equity interest transfer agreement in relation to the acquisition of 45% equity interest in Jade Emperor Limited entered into between Mei Wah Industrial (Hong Kong) Limited, a wholly-owned subsidiary of the Company, and Flywheel Investments Limited on 2 December 2016;
- 4) the concession contract in relation to Outer Ring Section A entered into between the Transport Commission of Shenzhen Municipality and Shenzhen Outer Ring Expressway Investment Company Limited, a wholly-owned subsidiary of the Company, on 18 March 2016;
- 5) the joint investment and construction agreement in relation to the Outer Ring Section A entered into among Shenzhen SEZ Construction and Development Group Co., Ltd., the Company and Shenzhen Outer Ring Expressway Investment Company Limited on 18 March 2016;
- 6) the agreement in relation to the toll adjustment of Nanguang Expressway, Yanpai Expressway and Yanba Expressway, the transfer of assets and the relevant compensation arrangement entered into between the Company and the Transport Commission on 30 November 2015;
- 7) the equity interest and creditors' rights transfer contract in relation to the transfer of the entire equity interest in and creditors' rights of GuizhouPengbo Investment Company Limited after regrouping and the equity interest transfer contract in relation to the transfer of 51% equity interest in GuizhouHengtongli Property Company Limited after regrouping both entered into

- between Guizhou Shenzhen Expressway Property Company Limited, a 70%-owned subsidiary of the Company, and Shenzhen International Logistics Development Co., Ltd. on 30 December 2015;
- 8) the share subscription agreement in relation to the subscription of shares issued by Bank of Guizhou to the Company entered into between the Company and Bank of Guizhou on 23 December 2015;
  - 9) the share transfer agreement in relation to the sale and purchase of the entire issued share capital of Fameluxe Investment Limited entered into among the Mei Wah Industrial (Hong Kong) Limited, Sumgreat Investments Limited, Shenzhen Huayu Investment & Development (Group) Co., Ltd., and Mr. Chen Yangnan (陳陽南) on 30 October 2015; and
  - 10) the relocation compensation agreement on Meilin Checkpoint Urban Renewal Project of Minzhi Office Longhua New District of Shenzhen entered into between Meiguan Company, a wholly-owned subsidiary of the Company, and Shenzhen International United Land Co., Ltd. (深圳市深國際聯合置地有限公司) on 24 June 2015.

#### **11. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at Room 1603, 16/F, China Building, 29 Queen's Road Central, Central, Hong Kong, within 14 days from the date of this circular (excluding Saturdays, Sundays and public holidays):

- 1) the articles of association of the Company and its attachments thereto;
- 2) the annual reports of the Company for the two years ended 31 December 2016;
- 3) the accountant's report prepared by Ruihua, the text of which is set out in Appendix II to this circular;
- 4) the report in respect of the unaudited pro forma financial information of the Enlarged Group received from Ernst & Young, the text of which is set out in Appendix III to this circular;
- 5) the valuation report prepared by Huarong, the text of which is set out in Appendix IV to this circular;
- 6) the letters of consent from each of Ruihua, Ernst & Young and Huarong;
- 7) the material contracts referred to in this Appendix; and
- 8) this circular.

**12. MISCELLANEOUS**

- 1) The joint company secretaries of the Company are Mr. Luo Kun who holds a professional title of accountant in the PRC and Ms. Lam Yuen Ling Eva who is a fellow member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.
- 2) The head office and the legal address of the Company is situated at Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen, PRC. The place of business of the Company in Hong Kong is at Room 1603, 16/F, China Building, 29 Queen's Road Central, Central, Hong Kong.
- 3) The share registrar and transfer office of the Company in Hong Kong is Hong Kong Registrars Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- 4) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text unless otherwise stated.