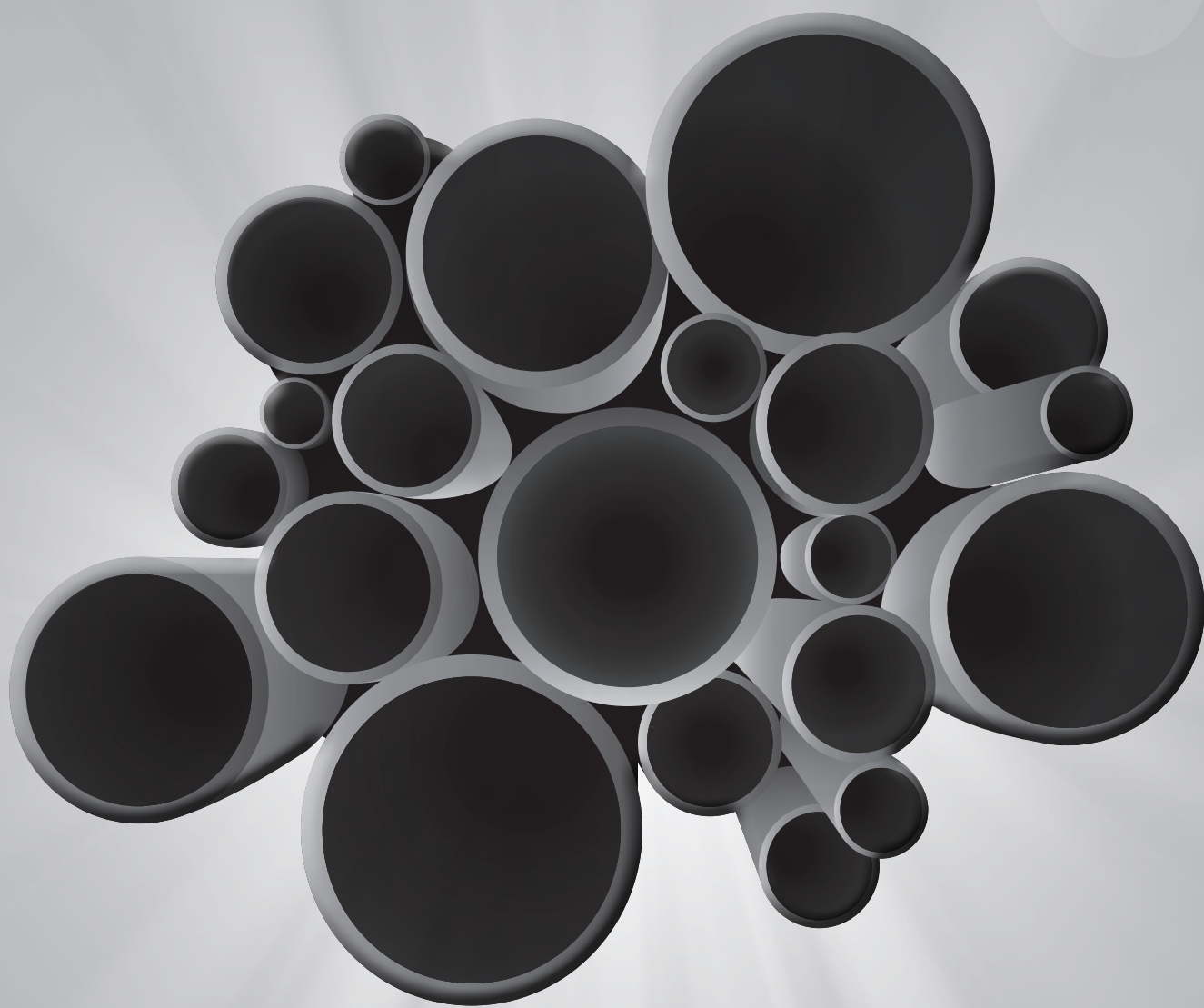




Expanding our Network

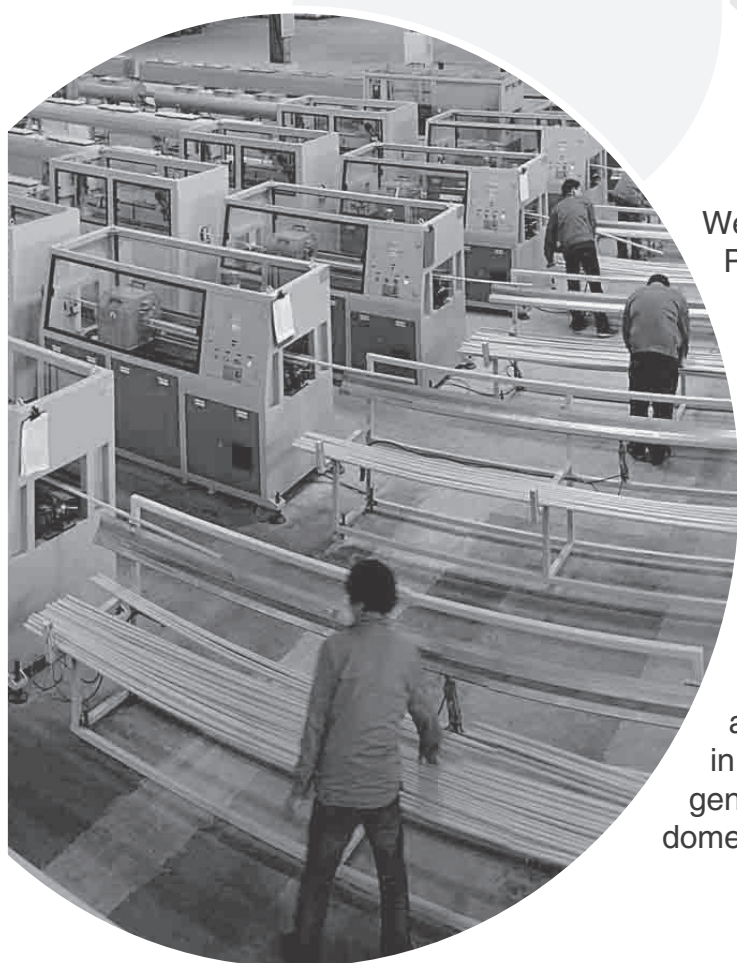
Annual Report 2014

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CORPORATE PROFILE

Established since 1994, we are primarily engaged in the design, manufacture, distribution and installation of a variety of plastic pipes and pipe fittings for use in various types of piping systems and networks in applications such as water supply, drainage and sewerage, telecommunication, power supply, water-saving irrigation and gas supply.



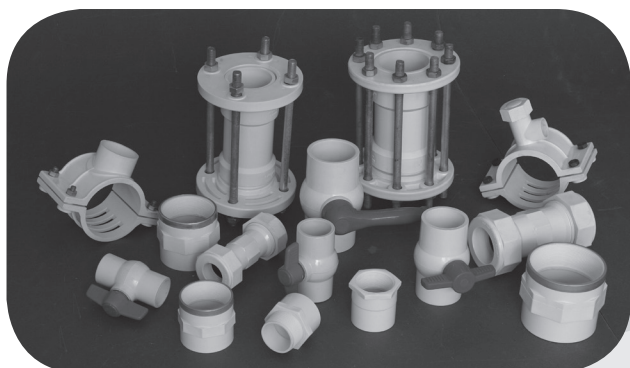
We have 10 production facilities located across the People's Republic of China (the "PRC") and we sell our products through a distribution network of the Company's subsidiaries and branch offices, and independent provincial distributors and independent sub-distributors with smaller geographical coverage within the PRC. Our subsidiaries and branch offices, and independent provincial distributors and independent sub-distributors have been assigned territorial boundaries within which to conduct sales and marketing of our products. This allows them to consistently serve the same group of customers so as to better understand their needs and changes in the market demand. Our revenue is primarily generated from sales of our products in the PRC domestic market.

OUR PRODUCTS

亚Aton通

SUN

Our products are sold under our registered brand names of “Aton” and “SUN”. Aton targets at the higher-end market while SUN caters to customers from the rural areas or projects with lower budget. We provide both on-site and off-site installation services for projects that require our expertise in installation when requested by our customers. In order to assure customer satisfaction of our products, we also provide after-sales services and technical support to our customers.



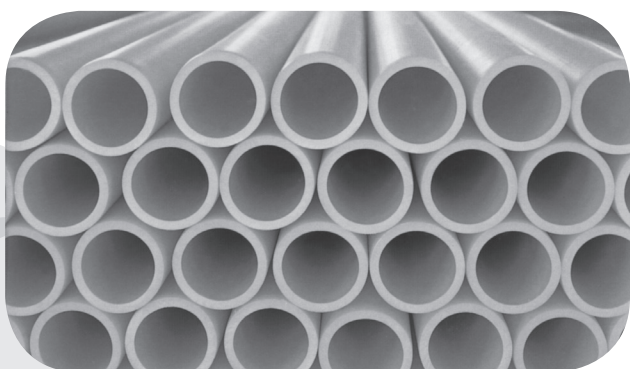
Water Supply Series

Transportation of clean water from its source to designated areas.



Telecommunication and Electrical Series

Protective casing for telecommunication and electrical cables.



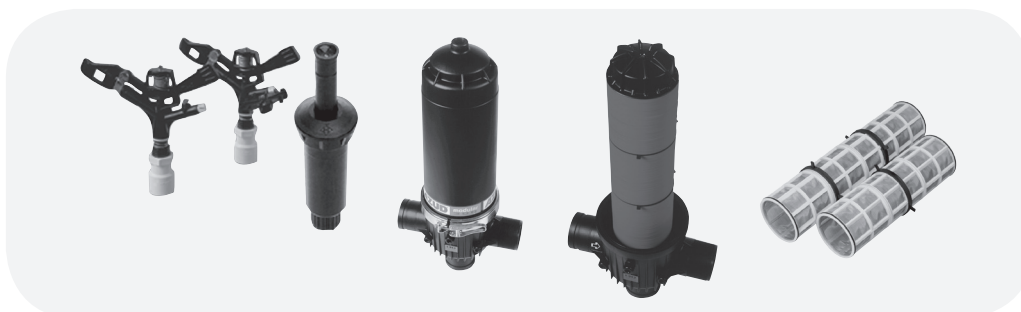
Fuel Gas Series

Transportation of natural and fuel gas.



Drainage and Sewerage Series

Drainage and disposal of sewerage, waste water and other kinds of effluents discharged from households, buildings and industrial areas.



Water-Saving Irrigation Series

Filters, sprinklers, sprinkling irrigation and root irrigation systems for gardens, golf courses, farmlands, greenhouses, stadiums and nurseries.

LETTER TO SHAREHOLDERS

Dear Shareholders,

On behalf of the Board of Directors, I would like to present to you the Annual Report for the financial year ended 31 December 2014 ("FY2014").

Financial Highlights

FY2014 was a challenging year for the Group. The Group achieved total revenue of RMB 797.5 million compared with revenue of RMB 795.1 million in the previous year, a slight increase of 0.3%. Gross margin however, declined from 15.8% in FY2013 to 13.6% in FY2014 mainly due to higher raw material costs. Despite our efforts to reduce selling and distribution as well as administrative expenses, the Group recorded a net loss of RMB 284.4 million in FY2014 compared with a net loss of RMB 168.0 million in FY2013. This was mainly due to high finance costs as well as impairment loss on contract receivables of RMB 115.2 million. The Group will step up its efforts including taking legal means to collect the debt.

The Company had repaid the outstanding convertible loans in January 2015.

Moving Forward

The PRC's government has been lowering the required reserve ratio for the banks and financial institutions to address the economic slowdown. Demand for plastic pipe in the PRC as a whole is expected to remain robust following the PRC government's efforts to step up infrastructural development in the country. These developments augur well for the Group. To further improve sales, the Group will expand its distribution network. The Group will also implement stringent cost control and quality control measures in order to stay competitive in the market place. To reduce and control operating costs and expenses, the Group will continue to restructure and streamline its operations to optimise its manufacturing capability. The Group will also review and monitor the performance of all its production plants closely and will dispose non-performing plants to save costs and realise cash for its working capital needs.

In the meantime, the Board will keep the shareholders posted on the Company's application for trading resumption of its shares on the SGX-ST.

Appreciation

Last but not least, on behalf of the Board of Directors, I would like to thank the management and staff for their dedication as well as all our shareholders, business partners, customers and suppliers for their support. We look forward to their continuing support to meet the challenges ahead.

Wang Sen

Non-Executive Chairman

OPERATIONS & FINANCIAL REVIEW

Revenue

Group revenue for FY2014 amounted to RMB 797.5 million, a slight increase of 0.3% compared with revenue of RMB 795.1 million in FY2013. Gross margin declined from 15.8% in FY2013 to 13.6% in FY2014 mainly because of higher raw material costs during the year under review.

Other income increased by 40% mainly due to write-back of receivable of RMB 7.1 million offset by lower government grants and subsidies by RMB 2.2 million.

Expenses

Selling and distribution expenses and administrative expenses decreased by 2.6% and 9.4% respectively due to streamlining of operations resulting in lower staff costs and general administrative expenses. Other expenses increased significantly mainly due to impairment loss on contract receivables of RMB 115.2 million relating to a construction project. Finance costs increased significantly by 18.9% mainly due to significant increase in high interest-bearing bridging loans from third parties.

Share of losses of associates increased by RMB 1.1 million mainly due to the Group's main associated company, Yunnan Aton High Molecular Materials Technology Co., Ltd reported higher operating losses in FY2014.

Profit and loss

As a results of the above, net loss for the year increased by RMB 116.4 million or 69.3% from RMB 168.0 million in FY2013 to RMB 284.4 million in FY2014.

Financial Position

The Group's non-current assets amounted to RMB 407.8 million as at 31 December 2014, a decrease of RMB 1.3 million from RMB 409.1 million as at the preceding financial year ended 31 December 2013. This was mainly due to decrease in property, plant and equipment by RMB 13.1 million and investment in associates by RMB 2.4 million partially offset by increase in land use right by RMB 14.9 million.

The Group's current assets were RMB 490.8 million as at 31 December 2014, a decrease by RMB 226.9 million from RMB 717.8 million as at 31 December 2013. This was mainly due to lower trade and other receivables by RMB 204.2 million because of better collection from trade receivables and impairment loss on contract receivables of RMB 115.2 million.

As at 31 December 2014, the Group's current liabilities amounted to RMB 1.2 billion, approximately the same amount as the preceding financial year-end.

The Group's non-current liabilities were RMB 147.5 million, an increase of RMB 13.6 million from RMB 133.9 million as at 31 December 2013 mainly due to increase in non-current borrowings by RMB 12.5 million.

Shareholders' Funds

As at 31 December 2014, capital deficiency increased to RMB 497.7 million mainly due to net loss of RMB 284.4 million recorded in FY2014.

OPERATIONS & FINANCIAL REVIEW

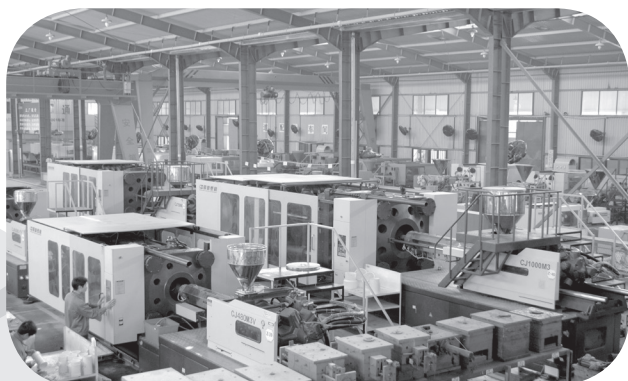
Cash Flows

The Group's net cash flow from operating activities for FY2014 was RMB 100.9 million despite an operating loss before income tax of RMB 282.1 million mainly due to better collection from trade receivables.

Net cash used in investing activities was RMB 39.3 million mainly for acquisition of land use rights and property, plant and equipment.

Net cash used in financing activities of RMB 136.2 million were mainly interest payment of RMB 105.2 million and increase in pledged bank balance of RMB 60.5 million offset by net proceed from borrowings of RMB 29.5 million.

As at 31 December 2014, the Group had a cash and cash equivalents of RMB 18.5 million (net of pledged bank balances).



BOARD OF DIRECTORS

Mr Wang Sen

Mr Wang was appointed as a Non-Executive Director on 22 September 2012 and as the Non-Executive Chairman of our Company on 15 October 2012. Mr Wang is a member of the Audit Committee and Nominating Committee. Mr Wang is also the Chairman of the Board of our principal subsidiary in the PRC, Fujian Aton Advanced Materials Science and Technology Co., Ltd. Mr Wang has been a Director of Faith Start Holdings Limited since 2010 and the Chairman of the Board of Max Rich Management Ltd since 2008. Mr Wang graduated from Shangdong Finance University with Bachelor of Public Finance. Mr Wang was last re-elected on 30 June 2014.

Mr Chew Heng Ching

Mr Chew was appointed as an Independent Non-Executive Director on 4 November 2011 and as a Deputy Non-Executive Chairman of our Company on 15 October 2012. Mr Chew is the Chairman of the Audit Committee and Nominating Committee and a member of the Remuneration Committee.

Mr Chew has more than 30 years of senior management experience in both the private and public sectors. Mr Chew is the founding President and Past Chairman of the Singapore Institute of Directors. He sits on the board of various publicly listed companies in Singapore and chairs their various Board Committees. He is also a Board member and Past Chairman of the Singapore International Chamber of Commerce. He was a Council Member of the Singapore Business Federation. Mr Chew was a Member of Parliament from 1984 to 2006 and a former Deputy Speaker of the Singapore Parliament. He currently serves on the Board of various charities.

A Colombo Plan scholar, Mr Chew is a graduate in Industrial Engineering (1st Class Honours) and Economics. He also holds an Honorary Doctorates in Engineering. He is a fellow of the Singapore Institute of Directors and CPA Australia. Mr Chew was last re-elected on 20 November 2013.

Dr Pu Weidong

Dr Pu Weidong was appointed as an Executive Director on 9 November 2011 and is in charge of our Group's Finance, Investors Relation and Overseas Market Development. He was appointed as Chief Executive Officer of our Company on 15 October 2012 to oversee the overall day-to-day management, sales and operations of our Group and is also responsible for formulating and implementing business strategies and policies of our Group.

Dr Pu is the Managing Director of Triumphus Capital Ltd, and Non-Executive and Independent Director of Pharmesis International Ltd. Prior to his appointment with Sinopipe Holdings Limited, Dr Pu was the Vice President and Chief Financial Officer of Sinomem Technology Ltd. He was an investment analyst with Deutsche Morgan Grenfell & Partners Securities and subsequently UOB Kay Hian Pte. Ltd. Dr Pu holds a Bachelor Degree in Environmental Engineering from Suzhou Institute of Urban Construction & Environmental Protection in China. He also holds MSc by Research in Finance and Accounting from National University of Singapore and Master and Ph.D. in Economics from Fudan University, China. Dr Pu is a member of CFA Institute. Dr Pu was last re-elected on 20 November 2013.

Mr Soh Beng Tiong

Mr Soh was appointed as an Independent Non-Executive Director of our Company on 8 May 2012 and is the Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee.

Mr Soh is a Director of Angsana Resort Sdn Bhd and its subsidiary that own golf course, resort hotel, residential and commercial property. Mr Soh was last re-elected on 31 July 2013.

Mr Tommy Lybianto

Mr Lybianto was appointed as a Non-Executive Director of our Company on 7 June 2013. Mr Lybianto is the Chairman of Hengtraco Group since 1986 and is a Director of PT Triwira Insanlestari, a public listed company in Indonesia since 1992. Mr Lybianto graduated from California State University, Los Angeles with Bachelor of Finance. Mr Lybianto was last re-elected on 31 July 2013.

KEY EXECUTIVE OFFICERS

Mr Chen Que

Chief Operating Officer

Mr Chen joined Fujian Atontech in 1994 as a factory manager, handling mainly production and engineering related operations. Thereafter, in 1995, he was promoted to deputy general manager, in charge of overseeing human resource, administrative and production activities. He was an Executive Director of the company between 1 December 2004 and 7 June 2013. He is currently responsible for the production process and is in charge of technology and research and development activities of our Group.

Mr Chen graduated with a Bachelor of Science degree from South China University of Technology. He started his career with Fuzhou Tyre Retreading Factory as a technical manager from 1984 to 1993. From 1993 to 1994, he was with Fujian Sanfeng Shoe Co., Ltd. as a technical manager, primarily responsible for overseeing the technology development of the company. Mr Chen is a certified Senior Engineer and is currently involved as a delegate of the National Standardisation Technical Committee for Plastic Products (SAC/TC48) and Sub-Committee for Plastic Pipes, Fittings and Valves (TC48/SC3).

Mr Phang Kong Juan

Financial Controller

Mr Phang joined our Group in December 2011 and is in charge of our Company's financial and accounting functions in Singapore. In addition, he is responsible for overseeing the financial reporting, accounting function and compliance requirements relating to our Group with respect to Singapore laws and regulations.

Mr Phang has over 20 years working experience in financial and management accounting and possesses a Bachelor of Accountancy degree and Post-graduate Diploma in Systems Analysis. He is a non-practising member of the Institute of Singapore Chartered Accountants.

CORPORATE INFORMATION

Board of Directors

Wang Sen

(Non-Executive Chairman)

Chew Heng Ching

*(Deputy Non-Executive Chairman and
Independent Non-Executive Director)*

Pu Weidong

*(Chief Executive officer and
Executive Director)*

Soh Beng Tiong

(Independent Non-Executive Director)

Tommy Lybianto

(Non-Executive Director)

Audit Committee

Chew Heng Ching *(Chairman)*

Soh Beng Tiong

Wang Sen

Nominating Committee

Chew Heng Ching *(Chairman)*

Soh Beng Tiong

Wang Sen

Remuneration Committee

Soh Beng Tiong *(Chairman)*

Chew Heng Ching

Joint Company Secretaries

Phang Kong Juan

Chew Bee Leng

Registered Office

80 Raffles Place

#32-01 UOB Plaza 1

Singapore 048624

Telephone: +65 6225 2626

Facsimile: +65 6225 1838

Principal Places of Business

Jingyang Industrial Area of Fuqing City

Fujian Province 350304

The People's Republic of China

Telephone: +86 591 8531 5915

Facsimile: +86 591 8531 1542

16 Ayer Rajah Crescent

#03-06

Singapore 139965

Telephone: +65 6223 8230

Facsimile: +65 6223 8279

Website: www.sinopipe.com.sg

Company Registration Number

200411382N

Share Registrar

Boardroom Corporate & Advisory Services Pte Ltd

50 Raffles Place #32-01

Singapore Land Tower

Singapore 048623

Auditors

Mazars LLP

133 Cecil Street #15-02

Keck Seng Tower

Singapore 069535

Partner-in-charge: Lai Keng Wei

(with effect from financial year 2011)

Principal Banker

Industrial and Commercial Bank of China

Fuqing City Branch

No. 7 Jiangbin Road

Fuqing City Fujian Province

The People's Republic of China

CORPORATE GOVERNANCE REPORT

This Corporate Governance Report describes the corporate governance processes and activities of Sinopipe Holdings Limited (the “Company”) and its subsidiaries (the “Group”) with specific reference to each of the principles and guidelines in the Code of Corporate Governance 2012 (the “Code”). The Board confirms that, for the financial year ended 31 December 2014 (“FY2014”), the Group has generally adhered to the principles and guidelines set out in the Code. Any deviations from the Code are disclosed and explained in this report. For proper reference, the principles of the Code under discussion are identified in bold.

Principle 1 : Board’s Conduct of its Affairs

The Company is effectively headed by a board of Directors (the “Board”) to lead and control it. Apart from its statutory duties and responsibilities, the Board is collectively responsible for the long-term success of the Group and it works with the management of the Company (the “Management”) to achieve this objective. The Management is accountable to the Board who oversees the affairs of the Group and focuses on strategies and policies, with particular attention paid to growth and financial performance. The Board delegates the formulation of business policies and day-to-day management to the Executive Directors.

The Board is responsible for:

1. providing entrepreneurial leadership, setting strategic aims, and ensuring that the necessary financial and human resources are in place for the Group to meet its objectives;
2. establishing a framework of prudent and effective controls which enables risk to be assessed and managed, including safeguarding the interests of shareholders and the Group’s assets;
3. reviewing Management performance;
4. setting the Group’s values and standards, and ensuring that obligations to shareholders and other key stakeholders are understood and met;
5. ensuring the Group’s compliance with laws, regulations, policies, directives, guidelines and internal code of conduct;
6. ensuring the Group’s compliance with good corporate governance practices;
7. approving quarterly, half-year and full-year result announcements; and
8. considering sustainability issues as part of its strategic formulation in line with the recommendation of the 2012 Code.

All Directors objectively make decisions and discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company.

The Board also delegates certain of its functions to the Audit Committee, Nominating Committee and Remuneration Committee (together, the “Board Committees”) and their functions are described separately under the various sections of each committee below. Each committee has its own written terms of reference and operating procedures.

The board approval is required for all matters which are likely to have a material impact on the Group’s operating units and/or financial positions as well as matters other than in the ordinary course of business. The types of material transactions that require board approval are major funding proposals, material acquisition and disposal of subsidiaries or assets and liabilities, corporate or financial restructuring and interested person transactions of a material nature, significant capital expenditure and investment and divestment proposal, dividend payments (if any).

CORPORATE GOVERNANCE REPORT

The Board is scheduled to meet at least four times a year and as and when warranted by circumstances. The Company's Articles of Association allow a board meeting to be conducted by way of a telephone or video conference or by means of similar communications equipment whereby all persons participating in the meeting are able to hear each other.

The number of meetings of the Board and the Board Committees held in FY2014 and the attendance of the Directors (who were in office in FY2014) are set out in the table below:

Directors' attendance at meetings of the Board and the Board Committees

Name of Directors	Board Meeting*		Audit Committee Meeting*		Nominating Committee Meeting*		Remuneration Committee Meeting*	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Chew Heng Ching	5	5	8	8	1	1	1	1
Pu Weidong	5	5	NA	NA	NA	NA	NA	NA
Wu Geng ⁽¹⁾	5	1	8	2	1	1	1	1
Soh Beng Tiong	5	4	8	7	1	1	1	1
Wang Sen	5	4	8	5	1	1	NA	NA
Tommy Lybianto	5	4	NA	NA	NA	NA	NA	NA

* Refers to meeting held and attended while each Director was in office.

- (1) Wu Geng has retired and ceased as a Director of the Company at the conclusion of the Annual General Meeting ("AGM") held on 30 June 2014. Accordingly, Mr Wu also ceased as Chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nominating Committee on 30 June 2014.

The Directors have several years of corporate experience as Directors in other companies or from relevant profession and are familiar with their duties and responsibilities as Directors. The Directors have also visited the Group's operational facilities and met up with the Management to gain a better understanding of the Group's business operations. In addition, the Directors and key executives have the opportunity to attend relevant trainings to enhance their knowledge, particularly on relevant new laws, regulations and changing commercial risks from time to time.

Newly appointed Directors will be issued with a formal letter by the Company Secretary explaining their duties and obligations as a Director upon their appointment.

Principle 2 : Board Composition and Guidance

The Board currently consists of five (5) Directors of whom two (2) are independent. The list of Directors is as follows:

Executive

Pu Weidong

Non-Executive

Wang Sen

Tommy Lybianto

Non-Executive and Independent

Chew Heng Ching

Soh Beng Tiong

The profile of the Directors is found on page 6 of this Annual Report.

CORPORATE GOVERNANCE REPORT

Presently, the Board comprises one Executive Director and four Non-Executive Directors, two of whom are independent. The 2012 Code recommends that independent directors make up at least one-third of the Board and where the Chairman is, *inter alia*, not an independent director, the independent directors should make up at least half of the Board.

The Board notes the 2012 Code's recommendation for the independent directors to make up at least half of the Board as the Chairman, Mr. Wang Sen, is a Non-Executive and Non-independent Director. The Board notes that pursuant to the Monetary Authority of Singapore ("MAS")'s response to recommendations by the Corporate Governance Council on the Code dated 2 May 2012, a longer transition period has been provided for companies to comply with the requirement of the 50% independent board before the Company's Annual General Meeting for the financial year ending 31 December 2017.

The Board consists of individuals from different backgrounds whose core competencies, qualifications, skills and experience include mainly legal, accounting and business management. None of the Independent Directors have any relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of their independent business judgement in the best interests of the Company.

The composition of the Board and independence of each Non-Executive Director are reviewed annually by the Nominating Committee ("NC"). The Board, taking into account the views of the NC, is satisfied as to the independence of all the Independent Directors. The NC adopts the guidelines of the Code in its review of who can be considered as an Independent Director. No Director has served more than 9 years on the Board.

Non-Executive Directors contribute to the Board process by offering independent views and opinions that provide alternative prospective to the Management's business proposals and strategies and by reviewing the Management's performance in meeting goals and objectives.

Principle 3 : Chairman and Chief Executive Officer

The Company keeps the positions of Chairman of the Board and Chief Executive Officer ("CEO") separate, thus ensuring an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. The Chairman of the Company is Wang Sen and the CEO is Pu Weidong. The division of responsibilities between the Chairman and the CEO has been clearly established. The Chairman and the CEO are not related to each other.

The CEO is primarily responsible for the overall management, strategic planning and business development of the Group, while the Chairman is responsible for the effective working of the Board. The responsibilities of the Chairman include:

1. leading the Board to ensure its effectiveness on all aspects of its role and setting its agenda;
2. ensuring that the Directors receive accurate, timely and clear information;
3. ensuring effective communication and preserving harmonious relations with the shareholders;
4. encouraging constructive relations between the Board and Management and between the Executive Directors and Non-Executive Directors;
5. facilitating the effective contribution of the Non-Executive Directors in particular;
6. promoting high standards of corporate governance and ensuring the Group's compliance with the Code; and
7. acting in the best interest of the Group and the shareholders.

CORPORATE GOVERNANCE REPORT

The Chairman is currently assisted by a Deputy Chairman, Chew Heng Ching, who is an Independent Director.

All Independent Directors, in particular the Deputy Chairman, are available for the shareholders to raise any concern with them. The Independent Directors will also meet at least once a year without the presence of the other Directors and provide feedback to the Chairman and Deputy Chairman after such meeting.

The NC and the Board will be reviewing the need to appoint a Lead Independent Director pursuant to the recommendations of the 2012 Code where the Chairman is not an independent director.

Principle 4 : Board Membership

Principle 5 : Board Performance

The members of the NC are as follows:

Chew Heng Ching	(Chairman)
Wu Geng ⁽¹⁾	(Member)
Soh Beng Tiong	(Member)
Wang Sen	(Member)

(1) Wu Geng has retired and ceased as a Director at the conclusion of the AGM held on 30 June 2014. He has also ceased as a member of the NC on 30 June 2014.

The NC is made up of Non-Executive Directors, a majority of them including the Chairman are independent. The NC is scheduled to meet at least once a year and as and when warranted by circumstances. The NC is regulated by a set of terms of reference and performs the following key functions:

1. making recommendations to the Board on all Board appointments;
2. re-nomination of the Directors having regard to each Director's contribution and performance, including, if applicable, as an Independent Director;
3. determining annually whether or not a Director is independent; and
4. deciding whether or not a Director is able to and has adequately carried out his duties as a Director.

New Directors are appointed by way of a board resolution after the NC has assessed their qualification and recommended to the Board for appointment. Such new Directors are required to submit themselves for re-election at the AGM held immediately after appointment. Pursuant to the Company's Articles of Association, all Directors are required to submit themselves for re-election at least once every three years. In addition, pursuant to the Companies Act, Cap. 50, a Director who attains the age of 70 years is required to retire at every AGM but may by an ordinary resolution passed at an AGM be re-appointed as a Director of the Company to hold office until the next AGM.

In its search and nomination process for new directors, the NC will search companies, personal contacts and recommendations to cast its net as wide as possible for the suitable candidates.

Although the Independent Directors hold directorships in other companies which are not in the Group, the Board is of the view that such multiple board representations do not hinder the Independent Directors from carrying out their duties as Directors of the Company. These Directors would widen the experience of the Board and give it a broader perspective. The Company has adopted internal guidelines to address the competing time commitments faced by these Directors serving on multiple boards. The NC and the Board will review the need for a maximum number of listed company board representation which Directors may hold in due course.

CORPORATE GOVERNANCE REPORT

The Board has established a formal appraisal process to be carried out by the NC for assessing the performance and effectiveness of the Board as a whole as well as to assess the individual Directors for their contribution and their commitment to their role. The appraisal process focuses on a set of performance criteria which includes the evaluation of the Board composition and size, the Board process, the Board effectiveness and training, the provision of information to the Board, the Board standards of conduct and financial performance indicators. Such performance criteria are approved by the Board and they address how the Board has enhanced long term shareholders' value. The performance criteria do not change unless circumstances deem it necessary and a decision to change them would be justified by the Board. The Chairman acts on the results of the performance evaluation, and where appropriate, proposes new members to be appointed to the Board or seek the resignation of Directors in consultation with the NC.

Principle 10 : Accountability

The Board is accountable to shareholders for the management of the Group. The Board updates shareholders on the operations and financial position of the Company on a quarterly basis when it releases its results announcements as well as timely announcements of other matters as prescribed by the relevant rules and regulations. The Management is accountable to the Board by providing the Board with the detailed financial information whenever necessary for the discharge of its duties to the shareholders.

Principle 11 : Risk Management and Internal Controls

Principle 12 : Audit Committee

Principle 13 : Internal Audit

The members of Audit Committee ("AC") are as follows:

Chew Heng Ching	(Chairman)
Wu Geng ⁽¹⁾	(Member)
Soh Beng Tiong	(Member)
Wang Sen	(Member)

(1) Wu Geng has retired and ceased as a Director at the conclusion of the AGM held on 30 June 2014. He has also ceased as a member of the AC on 30 June 2014.

Currently, the AC makes up of Non-Executive Directors, a majority of them including the Chairman are independent. The AC meets at least four times a year and as and when warranted by circumstances. The AC is regulated by a set of terms of reference and performs the following primary functions:

1. reviewing significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Group's financial performance before their submission to the Board;
2. reviewing the audit plans of the Company's external and internal auditors and the results of their examination and their cost effectiveness;
3. reviewing the co-operation given by the Group's officers to the external and internal auditors;
4. reviewing and reporting to the Board at least annually the adequacy and effectiveness of the Group's material internal controls, including financial, operational, compliance and information technology controls and risk management via reviews carried out by the internal auditors;
5. reviewing at least annually the adequacy and effectiveness of the Group's internal audit function;
6. recommending to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors;
7. approving the remuneration and terms of engagement of the external auditors;

CORPORATE GOVERNANCE REPORT

8. reviewing the scope and results of the external audit, and the independence and objectivity of the external auditors at least annually; and
9. reviewing interested person transactions.

In addition to the above, the AC has explicit authority to investigate any matter within its terms of reference, full access to and co-operation by the Management and full discretion to invite any Director or key executive to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

The Board considers that the members of the AC are appropriately qualified to discharge their responsibilities. At least two members, including the Chairman of the AC, have relevant accounting or related financial management expertise and experience.

The Company has put in place a whistle-blowing framework, endorsed by the AC, where employees of the Group may raise concerns about possible improprieties in matters of financial reporting or other matters in confidence to the AC. This arrangement facilitates independent investigation of such matters for appropriate resolution. The AC has express power to commission investigations into any matter, which has or is likely to have material impact on the Group's operating results or financial results.

The AC met with the external and internal auditors in each case without the presence of the Management. The external and internal auditors have unfettered access to all the Company's documents, records, properties and personnel, including full access to the AC. During FY2014, the AC has undertaken a review of all audit services provided by the external auditors, including the nature and extent of such services. The aggregate amount of fees paid to the external auditors for FY2014 is S\$300,000 and no non-audit services were rendered to the Group.

The AC will be briefed by the external auditors on changes to Financial Reporting Standards and issues which have a direct impact on financial statements during the presentation of the audit plan and the audit report to the AC.

The Company has complied with Rules 712 and 715 of the Listing Manual.

The Board is collectively responsible for the governance of the Group's risk. The Board ensures that the Management maintains a robust and effective system of risk management and internal controls to safeguard the interests of the shareholders and the Group's assets.

The Company has established an internal audit function that is adequately resourced and independent of the activities it audits. The internal audit plan is approved by the AC and the results of the audit findings are submitted to the AC for its review. The internal auditors report to the Chairman of the AC on audit matters and to the CEO for administrative matters.

The Company has put in place a new team of in-house internal auditors to carry out internal audit work on the PRC subsidiaries of the Group under the supervision of and reports to the AC. The internal audit team is headed by an Internal Audit Manager who possesses Chinese CPA professional qualification from The Chinese Institute of Certified Public Accountants. The rest of the team comprises professionally qualified accountants with audit experience.

Following the completion of the Special Audit in July 2013, the current Board has been taking steps in enhancing the Group's internal controls addressing financial, operational, compliance and information technology risks. The AC has reviewed the overall scope of the internal and external audits and the assistance given by the Management to the internal and external auditors. The AC has met with the Company's internal auditors to discuss the results of their evaluation of the Group's system of internal controls for FY2014. The Management has noted the internal control weaknesses highlighted by the internal and external auditors and will work closely with them on the implementation of the recommendations by the next audit reviews or the timeline stipulated in their reports. The Management will report the follow up actions to the AC for review and monitoring.

CORPORATE GOVERNANCE REPORT

The Company formed a Risk Assessment and Management Committee in 2014 to identify and assess the strategic, financial, operational, compliance and information technology risks of the Group and to propose appropriate measures to control and mitigate these risks. The Risk Management Committee periodically reviews the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks and will highlight them to the Board and AC.

The Group's financial risk management is disclosed under Note 31 of the Notes to the financial statements of the Annual Report.

The Board recognises that no internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss. The review of the Group's internal control system is a concerted and continuing process.

Whilst the AC and the Board continues to work with the external and internal auditors as well as the Management on reviewing and strengthening the internal controls, based on the procedures and policies established and maintained by the Group, and work and review performed by the internal auditors, the AC and the Board are of the opinion that the Group's internal controls addressing financial, operational, compliance and information technology controls and risk management systems were adequate and effective as at 31 December 2014. This is also supported by assurance from the CEO and the Financial Controller that:

- (a) since they have taken over the management of the Group and after the special audit report was issued in July 2013, steps have been taken to reorganise the finance and accounting team and to implement the new Enterprise Resources Planning system so that the financial records of the Group are properly maintained and the financial statements give a true and fair view of the Group's operations and finances and are in accordance with the relevant accounting standards; and
- (b) to the best of their knowledge, there are no known significant deficiencies or lapses in the Group's risk management and internal controls systems which could adversely affect the Group's ability to record, process, summarise or report financial data.

Remuneration Matters

Principle 7 : Procedures for Developing Remuneration Policies

Principle 8 : Level and Mix of Remuneration

Principle 9 : Disclosure on Remuneration

The Remuneration Committee ("RC") comprises the following Directors:

Wu Geng ⁽¹⁾	(Chairman)
Soh Beng Tiong ⁽²⁾	(Chairman)
Chew Heng Ching	(Member)

(1) Wu Geng has retired and ceased as a Director at the conclusion of the AGM held on 30 June 2014. He also ceased as Chairman of the RC on 30 June 2014.

(2) Soh Beng Tiong was appointed as Chairman of the RC in place of Wu Geng on 30 June 2014.

Currently, the RC is made up of Non-Executive Directors, all of them including the Chairman are independent so as to minimise the risk of any potential conflict of interest.

The RC is scheduled to meet at least once a year and as and when warranted by circumstances. The RC is regulated by a set of terms of reference and has access to independent professional advice inside and outside the Company, if necessary, in respect of the remuneration of all Directors and key executives.

CORPORATE GOVERNANCE REPORT

The RC's main duties are:

1. to review and recommend to the Board a framework of remuneration and to determine the specific remuneration packages and terms of employment for each of the Directors and key executives, including those employees related to the Executive Directors and controlling shareholders of the Group, if any, bearing in mind the need for a cautious comparison (in order to prevent the risk of an upward ratchet of remuneration levels with no corresponding improvements in performance) of pay and employment conditions of comparable companies in the same or similar industries, and to submit such recommendations for endorsement by the entire Board; and
2. to carry out its duties in the manner that it deemed expedient, subject always to any regulations or restrictions that may be imposed upon the RC by the Board from time to time.

As part of its review, the RC shall ensure that:

1. all aspects of remuneration, including Directors' fees, salaries, allowances, bonuses, options and benefits-in-kinds are covered;
2. the remuneration packages of Directors and key executives are comparable to companies in same or similar industries and that for Executive Directors, a significant proportion of such remuneration packages include performance-related elements;
3. the performance-related elements mentioned above are designed to align interests of Executive Directors with those of shareholders, that they link rewards to corporate and individual performance and that there are appropriate and meaningful measures for the purpose of assessing such performance-related elements in respect of Executive Directors;
4. the level of remuneration of Non-Executive Directors are appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the Directors, but also bearing in mind that Non-Executive Directors are not over-compensated to the extent that their independence may be compromised;
5. the level of remuneration is appropriate to attract, retain and motivate the Directors needed to run the Group successfully without such levels being more than is necessary for this purpose; and
6. the remuneration package of employees related to Executive Directors and controlling shareholders of the Group are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibilities.

No Director is involved in deciding his own remuneration. In setting remuneration packages, the Company takes into account the pay and employment conditions of comparable companies in the same or similar industries, as well as the Group's relative performance and the performance of each individual Director or key executive.

The Executive Directors do not receive Directors' fees. The remuneration policy for Executive Directors and key executives consists of two components, namely fixed cash and annual variable. The fixed component includes salary, pension fund contributions and other allowances. The variable component comprises of performance based bonus which, for Executive Directors, forms a significant proportion of their total remuneration package and is payable on the achievement of corporate and individual performance targets.

The Company has no long-term incentive schemes such as offer of shares or granting of options in place as it considers that it is not cost effective to administer such schemes currently.

CORPORATE GOVERNANCE REPORT

The Non-Executive and Independent Directors do not have any service contracts. They are paid a basic fee and additional fees for serving on any of the Board Committees. In determining the quantum of such fees, factors such as frequency of meetings, time spent and responsibilities of Directors are taken into account. The Board recommends payment of such fees to be approved by shareholders at the AGM of the Company.

The Executive Directors are paid in accordance with their respective service agreements. These service agreements are not excessively long and they do not have onerous removal clauses. The Executive Directors or the Company may terminate the service agreement by giving to the other party not less than six months' notice in writing, or in lieu of notice, payment of an amount equivalent to six months' salary based on the Executive Director's last drawn salary. The RC aims to be fair and avoids rewarding poor performance, if any. Taking note of the competitive pressure in the talent market, the Board has, on review, decided not to disclose the remuneration of the Directors.

A breakdown, showing the level and mix (in percentage terms) of each individual Director's remuneration for FY2014 is as follows:

Name of Directors	Base/fixed Salary %	Fees %	Variable or Bonus %	Other Benefits %	Total Remuneration %
\$S\$250,000 to below \$S\$500,000					
Pu Weidong	100	—	—	—	100
Below \$S\$250,000					
Chew Heng Ching	—	100	—	—	100
Wu Geng	—	100	—	—	100
Soh Beng Tiong	—	100	—	—	100
Wang Sen	—	100	—	—	100
Tommy Lybianto	—	100	—	—	100

Disclosure of the key executives' remuneration in bands of \$S\$250,000 for FY2014 is as follows:

Name of Key Executives	Salary %	Performance Bonus %	Other Benefits %	Total Remuneration %
Below \$S\$250,000				
Phang Kong Juan	92	8	—	100
Chen Que	100	—	—	100

The total remuneration, in aggregate, paid to the above key executives for FY2014 is approximately \$S\$292,000.

There is no employee of the Group who is an immediate family member of a Director or the CEO of the Company and whose remuneration exceeds \$S\$50,000 in FY2014.

Principle 6 : Access to Information

Whenever necessary, the senior management staff will be invited to attend the meetings of the Board and AC to answer queries and provide detailed insights into their areas of operations. The Board, either individually or as a group, has separate and independent access to the senior management staff.

The Board also has separate and independent access to the Company Secretary. Under the direction of the Chairman, the Company Secretary ensures good information flow within the Board and the Board Committees and between the Management and the Non-Executive Directors, as well as facilitates orientation and assists with professional development as required. The Company Secretary attends all meetings of the Board and the Board Committees. The Company Secretary assists the Board to ensure that the board procedures and relevant rules and regulations are complied with. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

CORPORATE GOVERNANCE REPORT

The Management provides regular updates to the Directors from time to time and, when applicable, as and when requested by the Directors.

The Directors, whether as a group or individually, are able to seek independent professional advice as and when necessary in furtherance of their duties at the Company's expense.

Principle 14 : Shareholder Rights

Principle 15 : Communication with Shareholders

Principle 16 : Conduct of Shareholder Meetings

The Company communicates with shareholders on all material matters affecting the Group by making announcements through SGXNET.

All shareholders of the Company receive the Annual Report and notice of general meetings. At AGMs, shareholders are encouraged to participate and are given the opportunity to air their views and ask questions regarding the Group and its businesses. Separate resolutions on each substantially separate issue are proposed at general meetings for approval. "Bundling" of resolutions is kept to a minimum and are done only where the resolutions are interdependent so as to form one significant proposal and only where there are reasons and material implications involved. All Directors, in particular the Chairman of the Board, the Chief Executive Officer and the Chairmen of the Board Committees, together with the external auditors and legal advisors (if necessary), are present at the AGM to address any queries and concerns raised by shareholders.

Apart from AGMs, the Company also regularly conveys pertinent information, gathers views or inputs, and addresses shareholders' concerns. In disclosing information, the Company strives to be as descriptive, detailed and forthcoming as possible.

The Articles of Association of the Company allow members of the Company to appoint one or two proxies to attend and vote on their behalf. Voting in absentia and electronic mail may only be possible following careful study to ensure the integrity of the information and authentication of the identity of members through the web is not compromised and is also subject to legislative amendment to recognise electronic voting. As recommended by the Code, the Company will put all resolutions to vote by poll at general meetings and make an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages.

The Company records minutes of all AGMs and questions and comments from shareholders together with the respective responses are also recorded. These minutes are made available to shareholders upon their request.

The Company currently does not have a formal policy on payment of dividends. Any final dividends paid by the Company shall be approved by an ordinary resolution of the shareholders at a general meeting. The Board may, without the approval of shareholders, also declare an interim dividend. The Company will not be declaring any dividend for FY2014 to preserve cash for operating activities and for capital expenditure requirements.

DEALINGS IN SECURITIES

(Listing Manual Rule 1207(19))

In compliance with the Listing Manual of the SGX-ST, the Company has adopted and implemented a code of conduct governing securities transactions by its Directors and key officers.

Under the code of conduct, the Directors and key officers are prohibited from dealing in the Company's securities at least one month before the announcement of the Company's quarterly, half-year and full-year results until one day after the release of the announcement.

CORPORATE GOVERNANCE REPORT

The Directors and key officers are required to notify the Company of any dealings in the Company's securities (during the open window period) and within two business days of the transaction(s). At all times, the Directors and key officers are aware that it is an offence to deal with securities in the Company and those of other companies when they are in possession of unpublished price-sensitive information in relation to those securities and that the law on insider trading applies to them at all times. As such, the Directors and key officers ensure that their dealings in securities, if any, do not contravene the law.

The code of conduct also ensures that no Director or key officer deals in the Company's securities on short-term considerations.

MATERIAL CONTRACTS

Except as disclosed in the financial statements, there were no material contracts (including loans) of the Company or its subsidiaries involving the interests of the CEO, Directors or controlling shareholders which subsisted at the end of the financial year or have been entered into since the end of the previous financial year.

INTERESTED PERSON TRANSACTIONS

As a listed company on the SGX-ST, the Company is required to comply with Chapter 9 of the Listing Manual of the SGX-ST on the interested person transactions. To ensure compliance with Chapter 9, the AC will meet regularly to review if the Company is entering into any interested person transaction. If the Company intends to enter into an interested person transaction, the AC will review the transaction and recommend to the Board for approval to ensure that the Company complies with the requisite rules under Chapter 9.

There is no interested person transaction entered into during the financial year under review.

REPORT OF THE DIRECTORS

The directors of the Company present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2014 and the statement of financial position of the Company as at 31 December 2014.

1. Directors

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

Executive director

Pu Weidong

Non-executive directors

Wang Sen

Tommy Lybianto

Independent non-executive directors

Chew Heng Ching

Soh Beng Tiong

2. Arrangements to enable directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects were, or one of the objects was, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, except as disclosed in paragraph 3 below.

3. Directors' interests in shares or debentures

According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), the directors of the Company holding office at the end of the financial year had no interests in the share capital or debentures of the Company and its related corporations except as stated below:

Name of directors and company in which interests are held

	<u>Direct interest</u>		<u>Deemed interest</u>	
	At beginning of year	At end of year	At beginning of year	At end of year
Sinopipe Holdings Limited				
(No. of ordinary shares)				
Wang Sen	-	-	47,500,000	47,500,000
Pu Weidong	-	-	23,029,000	23,029,000
Chew Heng Ching	300,000	300,000	-	-
Tommy Lybianto	-	-	29,401,660	29,401,660

The directors' interests as at 21 January 2015 in the shares or debentures of the Company have not changed from those disclosed as at 31 December 2014.

4. Directors' contractual benefits

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Act, by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except for salaries, bonuses and other benefits as disclosed, in the financial statements. A director has received remuneration from related corporations in his capacity as director and/or executive of those related corporations.

5. Share options

There were no share options granted by the Company or its subsidiaries during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

There were no unissued shares under option in the Company or its subsidiaries at the end of the financial year.

6. Audit Committee

At the date of this report, the Audit Committee of the Company comprises three Non-Executive directors, as follows:

Chew Heng Ching
Soh Beng Tiong
Wang Sen

The Audit Committee has convened 8 meetings during the financial year with key management. The Audit Committee has also met with the external auditors of the Company without the presence of management in respect of the financial year ended 31 December 2014.

The Audit Committee carried out its duties which included the following:

- (i) Review of the audit plan and results of the external audit and the independence and objectivity of the external auditors, including the review of the extent of non-audit services provided by the external auditors to the Group, if any;
- (ii) Review of the audit plans of the internal auditors of the Group and their evaluation of the adequacy of the Group's system of internal accounting controls;
- (iii) Review of the Group's annual financial statements and the external auditors' report on the annual financial statements of the Group and of the Company before their submission to the Board of Directors;
- (iv) Review of the quarterly, half-yearly and annual announcements, the results of the Group and the financial position of the Group and of the Company;
- (v) Review of the adequacy of the Group's risk management processes;
- (vi) Review of the Group's compliance with legal requirements and regulations, including the related compliance policies and programmes and reports received from regulators, if any;
- (vii) Review of interested person transactions in accordance with the listing rules of the Singapore Exchange Securities Trading Limited;
- (viii) Nomination of external auditors and approval of their compensation; and
- (ix) Submission of report of actions and minutes of the Audit Committee to the Board of Directors with any recommendations as the Audit Committee deems appropriate.

REPORT OF THE DIRECTORS

6. Audit Committee (Continued)

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

The Audit Committee has recommended to the directors the nomination of Mazars LLP for re-appointment as external auditors of the Company at the forthcoming Annual General Meeting of the Company.

7. Auditors

The auditors, Mazars LLP have expressed their willingness to accept re-appointment.

On behalf of the directors

Wang Sen
Director

Pu Weidong
Director

Singapore

20 May 2015

STATEMENT BY DIRECTORS

In the opinion of the directors,

- (a) the financial statements of the Group and the statement of financial position of the Company are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and of the results, changes in equity and cash flows of the Group for the financial year ended;
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the directors

Wang Sen
Director

Pu Weidong
Director

Singapore

20 May 2015

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SINOPIPE HOLDINGS LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Sinopipe Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise the statements of financial position of the Group and of the Company as at 31 December 2014, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information as set out on page 27 to page 90.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards ("FRS"), and for devising and maintaining a system of internal accounting controls sufficient to provide reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SINOPIPE HOLDINGS LIMITED

Basis for Qualified Opinion

(a) Opening balances

We expressed a disclaimer of opinion in our independent auditors' report dated 13 June 2014 in respect of the financial statements for the financial year ended 31 December 2013. The basis for our disclaimer of opinion included the following matters:

- (i) We were unable to obtain documentary evidence and satisfactory explanation from management and hence, we were unable to satisfy ourselves on the appropriateness of the basis upon which the stage of completion of the construction projects were estimated, and the progress billings recorded till 31 December 2013 for the outstanding contracts. We were unable to assess the recoverability of contract costs incurred and expected losses on construction contracts arising from any onerous contracts as of 31 December 2013 which would require provisions to be made. Consequently, we were unable to satisfy ourselves on the appropriateness of the carrying amounts of the Group's contract work-in-progress as at 31 December 2013;
- (ii) We were unable to obtain sufficient appropriate audit evidence on the nature, occurrence and completeness of certain unrecorded sale and purchase transactions during the financial year ended 31 December 2013; and
- (iii) We were unable to determine the income tax implications that could be found necessary as a result of (i) and (ii).

As the corresponding opening balances of the affected financial statement items enter into the determination of financial results and cash flows, we are unable to determine whether adjustments might have been found necessary in respect of the opening retained earnings as of 31 December 2014, loss and net cash flows from operating activities for the financial year then ended.

(b) Contract work-in-progress

Included in trade and other receivables as at 31 December 2014 are amounts due from a contract customer of RMB 115,158,000 for which full impairment has been made during the financial year then ended. In the absence of documentary evidence, we were unable to verify the stage of completion of the corresponding construction project and the validity of the related progress billings recorded till 31 December 2014. We were also unable to assess the recoverability of the corresponding contract costs incurred to date and the completeness of any expected loss. Consequently, we are unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the appropriateness of the carrying amount of the Group's contract work-in-progress as at 31 December 2014 and the impairment loss recorded during the financial year then ended.

Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraphs, the financial statements are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Group for the year ended on that date.

Emphasis of Matter

Without modifying our opinion, we draw your attention to Note 1.2 to the financial statements. As at 31 December 2014, the Group and the Company were in net current liability positions of RMB758,010,000 and RMB49,808,000 respectively and the Group was also in a net liability position of RMB497,677,000. The Group incurred net loss of RMB284,418,000 for the financial year then ended. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's and Company's abilities to continue as going concern. Notwithstanding the above, the financial statements of the Group and Company have been prepared on the assumption that they will continue to operate as going concern.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SINOPIPE HOLDINGS LIMITED

If the going concern assumptions were inappropriate, the Group and the Company may be unable to discharge their liabilities in the normal course of business, and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may need to reclassify non-current assets and liabilities as current assets and liabilities respectively. No such adjustments have been made to the financial statements.

Report on Other Legal and Regulatory Requirements

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

MAZARS LLP

Public Accountants and
Chartered Accountants
Singapore

20 May 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	2014 RMB'000	2013 RMB'000
Revenue	4	797,500	795,120
Cost of sales		<u>(688,657)</u>	<u>(669,694)</u>
Gross profit		108,843	125,426
Other income	5	17,907	12,792
Selling and distribution expenses		(70,577)	(72,458)
Administrative expenses		(70,758)	(78,060)
Other expenses	6	(159,400)	(61,080)
Finance costs	7	(106,560)	(89,651)
Share of losses of associates	15	<u>(1,533)</u>	<u>(412)</u>
Loss before income tax	8	(282,078)	(163,443)
Income tax expense	9	<u>(2,340)</u>	<u>(4,602)</u>
Loss for the year representing total comprehensive loss for the year		<u><u>(284,418)</u></u>	<u><u>(168,045)</u></u>
Loss representing total comprehensive loss attributable to:			
Owners of the Company		(280,245)	(162,669)
Non-controlling interests		<u>(4,173)</u>	<u>(5,376)</u>
		<u><u>(284,418)</u></u>	<u><u>(168,045)</u></u>
Loss per share attributable to owners of the Company (RMB cents)			
Basic	10	<u><u>(97.44)</u></u>	<u><u>(56.56)</u></u>
Diluted	10	<u><u>(87.14)</u></u>	<u><u>(50.13)</u></u>

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

		<u>Group</u>		<u>Company</u>	
	Note	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
ASSETS					
Non-current assets					
Land use rights	11	88,179	73,242	-	-
Property, plant and equipment	12	304,327	317,470	42	44
Goodwill	13	3,944	3,944	-	-
Investments in subsidiaries	14	-	-	38,129	188,694
Investments in associates	15	11,343	13,790	14,000	14,000
Deferred tax assets	16	-	616	-	-
Total non-current assets		407,793	409,062	52,171	202,738
Current assets					
Inventories	17	107,670	109,424	-	-
Held-for-trading investments	18	-	500	-	-
Trade and other receivables	20	119,161	323,392	19,676	19,612
Prepayments	20	17,936	24,237	38	87
Cash and bank balances	21	246,081	260,229	95	153
Total current assets		490,848	717,782	19,809	19,852
Total assets		898,641	1,126,844	71,980	222,590
EQUITY AND LIABILITIES					
Equity					
Share capital	22	313,344	313,344	313,344	313,344
Other reserves	23	(12,063)	(12,007)	5,316	5,316
Accumulated losses		(805,839)	(525,594)	(316,297)	(251,156)
Equity attributable to owners of the Company		(504,558)	(224,257)	2,363	67,504
Non-controlling interests		6,881	11,054	-	-
(Capital deficiency)/total equity		(497,677)	(213,203)	2,363	67,504
Non-current liabilities					
Borrowings	24	126,967	114,495	-	33,403
Deferred capital grants	25	13,097	11,668	-	-
Deferred tax liabilities	16	7,396	7,722	-	220
Total non-current liabilities		147,460	133,885	-	33,623
Current liabilities					
Trade and other payables	26	698,695	675,954	34,920	121,463
Borrowings	24	544,281	525,862	34,697	-
Deferred capital grants	25	510	419	-	-
Income tax liabilities		5,372	3,927	-	-
Total current liabilities		1,248,858	1,206,162	69,617	121,463
Total liabilities		1,396,318	1,340,047	69,617	155,086
Total equity and liabilities		898,641	1,126,844	71,980	222,590

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

<u>Attributable to owners of the Company</u>						
Note	Share capital RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2013	313,344	(12,007)	(362,925)	(61,588)	27,716	(33,872)
Total comprehensive loss for the year	-	-	(162,669)	(162,669)	(5,376)	(168,045)
Disposal of a subsidiary	-	-	-	-	(11,286)	(11,286)
Balance at 31 December 2013	313,344	(12,007)	(525,594)	(224,257)	11,054	(213,203)
Balance at 1 January 2014	313,344	(12,007)	(525,594)	(224,257)	11,054	(213,203)
Total comprehensive loss for the year	-	-	(280,245)	(280,245)	(4,173)	(284,418)
Disposal of a subsidiary	-	(56)	-	(56)	-	(56)
Balance at 31 December 2014	313,344	(12,063)	(805,839)	(504,558)	6,881	(497,677)

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	2014 RMB'000	2013 RMB'000
Operating activities			
Loss before income tax		(282,078)	(163,443)
Adjustments for:			
Amortisation of deferred capital grants		(480)	(379)
Amortisation of deferred income relating to term loan from a third party		(46)	(53)
Amortisation of land use rights		1,976	1,777
Depreciation of property, plant and equipment		33,703	35,008
(Gain)/loss on disposal of held-for-trading investments		(6)	17
Impairment loss on doubtful trade receivables, net		19,831	13,617
Impairment loss on contract receivables		115,158	-
Impairment loss on property, plant and equipment		7,033	23,022
Interest expense		106,560	89,651
Interest income		(3,844)	(3,835)
Dividend income		(20)	-
Loss on deconsolidation of subsidiary		316	-
Gain on disposal of a subsidiary		-	(785)
Loss on disposal of property, plant and equipment		803	3,287
Loss on disposal of an associate		914	-
Share of loss of associates		1,533	412
Write-off of inventories		6,304	866
Provision on inventories, net		219	6,468
Operating cash flows before movements in working capital		7,876	5,630
<i>Movements in working capital</i>			
Inventories		(4,769)	8,402
Trade and other receivables		69,241	11,652
Prepayments		6,301	48,209
Trade and other payables		23,055	195,041
Cash generated from operations		101,704	268,934
Income taxes paid		(850)	(1,231)
Net cash generated from operating activities		100,854	267,703
Investing activities			
Acquisition of held-for-trading investments		(50)	(900)
Acquisition of land use rights	11	(16,913)	(1,549)
Grant received on acquisition of land use right		-	3,252
Acquisition of property, plant and equipment	12	(28,769)	(29,066)
Grant received on acquisition of property, plant and equipment	12	2,000	1,070
Proceeds from disposal of held-for-trading investments		556	383
Proceeds from disposal of property, plant and equipment		373	175
Income received from held-for-trading investments		20	-
Interest received		3,844	3,835
Net cash outflow from deconsolidation of a subsidiary	14	(394)	(619)
Net cash used in investing activities		(39,333)	(23,419)

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	2014 RMB'000	2013 RMB'000
Financing activities			
Interest paid		(105,220)	(87,401)
Proceeds from borrowings		560,806	569,198
Repayments of borrowings		(531,255)	(582,250)
Pledged bank balances		<u>(60,535)</u>	<u>(110,860)</u>
Net cash used in financing activities		<u>(136,204)</u>	<u>(211,313)</u>
Net increase/(decrease) in cash and cash equivalents		(74,683)	32,971
Cash and cash equivalents at beginning of year		<u>93,206</u>	<u>60,235</u>
Cash and cash equivalents at end of year	21	<u>18,523</u>	<u>93,206</u>

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General

1.1 Corporate information

Sinopipe Holdings Limited (the "Company") (Registration Number 200411382N) is incorporated and domiciled in Singapore, with its registered office at 80 Raffles Place, #32-01 UOB Plaza 1, Singapore 048624. The principal place of business of the Company is located at 16 Ayer Rajah Crescent, #03-06, Singapore 139965.

The principal activity of the Company is that of investment holding. The principal activities of the respective subsidiaries are disclosed in Note 14 to the financial statements.

The financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2014 and the statement of financial position of the Company as at 31 December 2014 were authorised for issue by the Board of Directors on 20 May 2015.

1.2 Going concern

As at 31 December 2014, the Group and the Company were in net current liability position of RMB 758,010,000 (2013: RMB 488,380,000) and RMB 49,808,000 (2013: RMB 101,611,000) respectively. As at 31 December 2014, the Group was also in a net liability position of RMB 497,677,000 (2013: RMB 213,203,000). In addition, the Group incurred net loss of RMB 284,418,000 (2013: RMB 168,045,000) for the financial year then ended. The ability of the Group and Company to meet their financial obligations and to continue as going concern depend, foremost, on their ability to secure continuing banking facilities from their banks and to continue generating sufficient operating cash flows to meet their operating needs. These conditions cast significant doubt on the Group's and the Company's abilities to continue as going concern.

Notwithstanding the above, the directors are of the view that the going concern assumption is appropriate having regard to the following:

- (a) The Group will be able to continue securing banking facilities from its banks. Management has been in negotiations with various PRC banks to obtain financing for the Group's operations and has secured subsequent to the financial year end banking facilities from the PRC banks amounting to RMB 116.3 million. The PRC authorities have been easing credit control to address China's economic slow-down. The People's Bank of China had cut the RMB deposit required reserve ratio for financial institutions and commercial banks by 1.5 percentage points and by 4 percentage points for the Agricultural Development Bank of China effective from 5 February 2015 in order to enhance their lending capacity. In light of this, the directors are of the view that the Group will benefit from easier access to the required funding to meet its current and projected operational needs; and
- (b) The Group and Company will be able to continue generating sufficient operating cash flows to fund their working capital needs, particularly in light of their optimistic outlook of the plastic pipe industry following the announcement of the urbanisation plan and policy by the PRC Government for the next few years.

If the going concern assumptions were inappropriate, the Group and the Company may be unable to discharge their liabilities in the normal course of business, and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may need to reclassify non-current assets and liabilities as current assets and liabilities respectively. No such adjustments have been made to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation

The financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2014 and the statement of financial position of the Company as at 31 December 2014 have been drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards ("FRS") including related Interpretations of FRS ("INT FRS") and are prepared on the historical cost basis, except as disclosed in the accounting policies below.

The individual financial statements of each entity in the Group are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Renminbi ("RMB") which is also the functional currency of the Company, and all values presented are rounded to the nearest thousand ("RMB'000"), unless otherwise indicated.

In the current financial year, the Group has adopted all the new and revised FRS and INT FRS that are relevant to its operations and effective for the current financial year. The adoption of these new/revised FRS and INT FRS did not result in changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior years.

FRS and INT FRS issued but not yet effective

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

		Effective date (annual periods beginning on or after)
FRS 16, FRS 38	Amendments to FRS 16 and FRS 38: Clarification of acceptance methods of depreciation and amortisation	1 January 2016
FRS 16, FRS 41	Amendments FRS 16 and FRS 41: Agriculture: bearer plants	1 January 2016
FRS 19	Amendments to FRS 19: Defined employee plans: employee contributions	1 July 2014
FRS 110, FRS 28	Amendments to FRS 110 and FRS 28: Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
FRS 27	Amendments to FRS 27: Equity method in separate financial statements	1 January 2016
FRS 109	Financial instruments	1 January 2018
FRS 111	Amendments to FRS 111: Accounting acquisitions of interest in joint operations	1 January 2016
FRS 114	Regulatory deferral accounts	1 January 2016
FRS 115	Revenue from contracts with customers	1 January 2017
Various	Improvements to FRSs (January 2014)	Various
Various	Improvements to FRSs (February 2014)	Various
Various	Improvements to FRSs (November 2014)	Various

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

The Group and the Company have not early adopted any of the above new/revised standards, interpretations and amendments to the existing standards in the financial year ended 31 December 2014. Management is in the process of making an assessment of their impact and is not yet in a position to state whether any substantial changes to the Group's and the Company's significant accounting policies and presentation of the financial information will result.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation

The financial statements of the Group comprise the financial statements of the Company and its subsidiaries. Subsidiaries are entities (including structured entities) (i) over which the Group has power and the Group is (ii) able to use such power to (iii) affect its exposure, or rights, to variable returns from then through its involvement with them.

The Group reassesses whether it controls the subsidiaries if facts and circumstance indicate that there are changes to the one or more of the three elements of control.

When the Group has less than a majority of the voting rights of an investee, it still has power over the investee when the voting rights are sufficient, after considering all relevant facts and circumstances, to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers, among others, the extent of its voting rights relative to the size and dispersion of holdings of the other vote holders, currently exercisable substantive potential voting rights held by all parties, rights arising from contractual arrangements and voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intra-group assets and liabilities, equity, income, expenses and cashflows relating to intragroup transactions are eliminated on consolidation.

The financial statements of the subsidiaries used in the preparation of the financial statements are prepared for the same reporting date as that of the Company. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Non-controlling interests are identified separately from the Group's equity therein. On an acquisition-by-acquisition basis, non-controlling interests may be initially measured either at fair value or at their proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Losses in the subsidiaries are attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

Investments in subsidiaries and associates are carried at cost less any impairment loss that has been recognised in profit or loss.

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

Consolidation of the subsidiaries in the PRC is based on the subsidiaries' financial statements prepared in accordance with FRS. Profits reflected in the financial statements prepared in accordance with FRS may differ from those reflected in the statutory financial statements of the subsidiaries prepared for PRC reporting purposes. In accordance with the relevant laws and regulations, profits available for distribution by the subsidiaries are based on the amounts stated in the statutory financial statements.

2.3 Business combinations

Business combinations from 1 January 2010

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 *Business Combinations* ("FRS 103") are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held-for-sale in accordance with FRS 105 *Non-Current Assets Held for Sale and Discontinued Operations* ("FRS 105"), which are recognised and measured at the lower of cost and fair value less costs to sell.

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

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with FRS 102 *Share-based Payment*; and
- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 are measured in accordance with that Standard.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. Summary of significant accounting policies (Continued)

2.3 Business combinations (Continued)

Business combinations from 1 January 2010 (Continued)

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

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

Business combinations before 1 January 2010

In comparison to the above mentioned requirements, the following differences applied:

Business combinations were accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as step acquisitions. Adjustments to those fair values relating to previously held interests were treated as a revaluation and recognised in equity.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that would otherwise be required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was probable and a reliable estimate was determinable. Subsequent measurements to the contingent consideration affected goodwill.

2.4 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when the Group has transferred to the buyer significant risks and rewards of ownership of the goods; retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; is able to reliably measure the amount of revenue and the costs incurred or to be incurred in respect of the transaction; and assesses that it is probable for the economic benefits associated with the transaction to flow to the entity.

Construction contracts

The accounting policy for recognising construction contract revenue is stated in Note 2.18.

Interest income

Interest income is accrued on a time-apportionment basis, by reference to the principal outstanding and at the effective interest rate applicable.

2. Summary of significant accounting policies (Continued)

2.4 Revenue recognition (Continued)

Royalty income

Royalty income is recognised on an accrual basis in accordance with the substance of the licence agreement.

Rental income

Rental income is recognised on a straight-line basis over the term of the relevant lease. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.

2.5 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings.

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

2.6 Defined contribution plans

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

The Group participates in the national pension schemes as defined by the laws of PRC. Subsidiaries incorporated in the PRC are required to provide staff pension benefits to their employees under existing PRC legislation. These subsidiaries are required to contribute a certain percentage of their payroll costs to the pension scheme to fund the benefits. The pension funds are managed by government agencies, which are responsible for paying pensions to the retired employees. Contributions under the pension scheme are charged to the profit or loss as they become payable in accordance with the rules of the pension scheme.

2.7 Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the financial year.

2.8 Income tax

Income tax expense represents the sum of current tax and deferred tax.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. Summary of significant accounting policies (Continued)

2.8 Income tax (Continued)

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

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year and based on the tax consequence that will follow from the manner in which the Group expects, at the end of the financial year, to recover or settle the carrying amounts of its assets and liabilities. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

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

2.9 Dividends

Equity dividends are recognised when they become legally payable. Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which dividends are approved by shareholders.

2. Summary of significant accounting policies (Continued)

2.10 Foreign currency transactions and translation

Foreign currency transactions are translated into the individual entities' respective functional currencies at the exchange rates prevailing on the date of the transaction. At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

Exchange differences relating to assets under construction for future productive use, are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings.

2.11 Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and any accumulated impairment losses. The land use rights are amortised on a straight-line basis over the lease terms of between 32 and 50 years.

2.12 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

Depreciation is charged so as to write off the cost of assets, other than assets under construction, over their estimated useful lives, using the straight-line method, on the following bases:

■	Buildings	20 years
■	Plant and machinery	10 years
■	Office and electronic equipment	5 years
■	Motor vehicles	5 years

No depreciation is charged on construction-in-progress as they are not yet in use at the end of the financial year.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of each financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. Summary of significant accounting policies (Continued)

2.12 Property, plant and equipment (Continued)

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

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

2.13 Goodwill on consolidation

Goodwill represents the excess of the cost of an acquisition over the net fair value of the Group's interest in the identifiable assets, liabilities and contingent liabilities of a subsidiary carried at the acquisition date. Goodwill is stated at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit (including the goodwill), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

The attributable amount of goodwill is included in the determination of gain or loss on disposal of a subsidiary.

Goodwill on associates is included in the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

2.14 Associate

An associate is an entity over which the Group has significant influence, being the power to participate in the financial and operating policy decisions of the entity but is not control or of joint control of those policies, and generally accompanying a shareholding of 20% or more of the voting power.

The results and assets and liabilities of an associate are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held-for-sale, in which case it is accounted for under FRS 105 from the date on which the investee become an associate. Under the equity method, investments in associates are carried at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment loss of individual investments. The Group's share of losses in an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate. Distributions received from the associate reduce the carrying amount of the investment. Any goodwill arising on the acquisition of the Group's interest in an associate is accounted for in accordance with the Group's accounting policy for goodwill arising on such acquisitions (see above).

2. Summary of significant accounting policies (Continued)

2.14 Associate (Continued)

The financial statements of the associates are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Unrealised profits and losses are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

The Company has accounted for its investments in associates at cost in its separate financial statements.

2.15 Impairment of tangible and intangible assets excluding goodwill

The Group reviews the carrying amounts of its tangible assets at the end of each financial year to assess for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Irrespective of whether there is any indication of impairment, the Group also tests its intangible assets with indefinite useful lives and intangible assets not yet available for use for impairment annually by comparing their respective carrying amounts with their corresponding recoverable amounts.

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

An impairment loss for the amount by which the asset's carrying amount exceeds the recoverable amount is recognised immediately in profit or loss.

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

2.16 Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. Summary of significant accounting policies (Continued)

2.16 Financial instruments (Continued)

Financial assets

All financial assets are recognised on a trade date - the date on which the Group commits to purchase or sell the asset. They are initially measured at fair value, plus transaction costs.

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

Financial assets at fair value through profit or loss ("FVTPL")

A financial asset is classified as FVTPL if the financial asset is either held for trading or is designated as such upon initial recognition.

A financial asset is classified as held-for-trading if it has been acquired principally for the purpose of selling in the short term; or if it is part of an identified portfolio of financial instruments with a recent actual pattern of short-term profit-taking and which is managed by the Group; or if it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee contract.

A financial asset which is not classified as held-for-trading may be designated as FVTPL upon initial recognition if the financial asset is managed as part of a group of financial instruments, with its performance being evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

Gains or losses arising from changes in the fair value are recognised in profit or loss. The net gain or loss incorporates any dividend or interest earned on the financial asset.

Loans and receivables

The Group's loans and receivables comprise trade and other receivables and cash and bank balances.

Such loans and receivables are non-derivatives with fixed or determinable payments that are not quoted in an active market. They are measured at amortised cost, using the effective interest method less impairment. Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

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

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

The carrying amounts of all financial assets are reduced by the impairment loss directly with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

2. Summary of significant accounting policies (Continued)

2.16 Financial instruments (Continued)

Impairment of financial assets (Continued)

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

Derecognition of financial assets

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

Trade and other payables

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

Borrowings

Interest-bearing bank loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Groups accounting policy for borrowing costs (Note 2.5).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. Summary of significant accounting policies (Continued)

2.16 Financial instruments (Continued)

Convertible loans

Convertible loans are regarded as compound instruments, consisting of a liability component and an equity component. The component parts of compound instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability, on an amortised cost basis until extinguished upon conversion or at the instruments maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently re-measured.

Transaction costs are apportioned between the liability and equity components of the convertible loans based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised.

On conversion of convertible loans, the carrying amounts of the equity component and liability component are transferred to share capital. There is no gain or loss on conversion.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

2.17 Inventories

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

2.18 Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the financial year (determined by reference to survey of work performed), except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customers.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

At the end of the financial year, the aggregated costs incurred plus recognised profit (less recognised loss) on each contract is compared against the progress billings. Where costs incurred plus the recognised profits (less recognised losses) exceed progress billings, the balance is presented as "Amounts due from contract customers" in trade and other receivables. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is presented as "Amounts due to contract customers" in trade and other payables.

Progress billings not yet paid by customers and retentions are included in "Trade and other receivables".

2. Summary of significant accounting policies (Continued)

2.19 Cash and bank balances

Cash and bank balances comprise cash on hand and in banks.

2.20 Leases

Operating leases

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

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

2.21 Research costs

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

2.22 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingencies are not recognised on the statements of financial position of the Group and the Company, except for contingent liabilities assumed in a business combination that are present obligations and which the fair value can be reliably determined.

2.23 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalment. Certain government grants relating to assets are deducted against the carrying amount of the assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2. Summary of significant accounting policies (Continued)

2.24 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group of executive directors and the chief executive officer who make strategic decisions.

3. Critical accounting judgements and key sources of estimation uncertainty

The Group made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources in the application of the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors that are considered to be reasonable under the circumstances. Actual results may differ from the estimates.

3.1 Critical judgements made in applying the Group's accounting policies

Going concern basis of preparation

The financial statements of the Company and its subsidiaries have been prepared on a going concern basis. The appropriateness of the going concern basis is assessed after taking into consideration of all relevant information about the future of the Company and its subsidiaries is available at the date of this report.

Determination of significant influence over associate, Fujian Industrial Plastic Technology Research and Development Co., Ltd.

The Group held 47.73% of the voting rights in the associate, Fujian Industrial Plastic Technology Research and Development Co., Ltd. ("Fujian Industrial Plastic") as of 31 December 2014. In consideration of the relatively significant voting rights it holds in the investee entity, the Group considered both FRS 28 *Investments in Associates and Joint Ventures* and FRS 110 *Consolidated Financial Statements* to determine whether it holds control or just significant influence over Fujian Industrial Plastic. The Group considered factors, including but not limited to, the size of its holding of voting rights relative to the size and dispersion of holdings of the other vote holders, its representation at shareholders' and directors' meetings and the voting patterns, the composition of key management personnel in Fujian Industrial Plastic, and contractual arrangements. Consequently, the Group assessed that it has significant influence over Fujian Industrial Plastic and classified the investee entity as associate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.2 Key sources of estimation uncertainty

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Depreciation of property, plant and equipment

The Group depreciates property, plant and equipment over their estimated useful lives after taking into account of their estimated residual values. The estimated useful life reflects management's estimate of the period that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual value reflects management's estimated amount that the Group would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal, as if the asset were already of the age and in the condition expected at the end of its useful life. Changes in the expected level of usage and technological developments could affect the useful lives and the residual values of these assets which could then consequentially impact future depreciation charges. The carrying amounts of the Group and the Company's property, plant and equipment as at 31 December 2014 were RMB 304,327,000 (2013: RMB 317,470,000) and RMB 42,000 (2013: RMB 44,000) respectively.

Impairment of property, plant and equipment and land use rights

Property, plant and equipment and land use rights are assessed at the end of each financial year to ascertain whether there is any indication of impairment. If such indications are found, the recoverable amounts of the assets are estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. Such impairment loss is recognised in profit or loss.

Management judgement is required in the area of asset impairment, particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the market value or the net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in estimating the market value or preparing the cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the growth rate and discount rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result may potentially affect the Group's results.

The carrying amounts of the Group's land use rights and property, plant and equipment as at 31 December 2014 were RMB 88,179,000 (2013: RMB 73,242,000) and RMB 304,327,000 (2013: RMB 317,470,000) respectively.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units ("CGU") to which goodwill has been allocated. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value. The carrying amount of the Group's goodwill as at 31 December 2014 was RMB 3,944,000 (2013: RMB 3,944,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.2 Key sources of estimation uncertainty (Continued)

Impairment of investments in subsidiaries and associates

At the end of each financial year, an assessment is made on whether the Company's investments in subsidiaries and associates and the Group's investments in associates are impaired. Management's assessment is based on the estimation of the value-in-use of the cash-generating unit by forecasting the expected future cash flows for a period up to five years, using a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of the Company's investments in subsidiaries and associates and the Group's investments in associates as at 31 December 2014 were RMB 38,129,000 (2013: RMB 188,694,000), RMB 14,000,000 (2013: RMB 14,000,000) and RMB 11,343,000 (2013: RMB 13,790,000), respectively.

Inventories valuation method

Inventories are valued at the lower of cost and net realisable value. Management reviews the Group's inventories level in order to identify slow-moving and obsolete merchandise and identifies items of inventories which have a market price, being the merchandise's selling price quoted from the market of similar items that is lower than its carrying amount. Management then estimates the amount of inventories loss as an allowance on inventories. Changes in demand levels, technological developments and pricing competition could affect the saleability and values of the inventories which could then consequentially impact the Group's results, cash flows and financial position. The carrying amount of the Group's inventories as at 31 December 2014 was RMB 107,670,000 (2013: RMB 109,424,000).

Construction contracts

The Group recognises contract revenue by reference to the stage of completion of the contract activity at the end of each financial year, when the outcome of a construction contracts can be estimated reliably. The stage of completion is measured by reference to survey of work performed. Significant assumptions are required to estimate the work performed. In making these estimates, management has relied on the experience and knowledge of independent surveyors and architects. The carrying amount of amounts due from contract customers as at 31 December 2014 was RMB 48,001,000 (2013: RMB 188,698,000). During the year, the Group has provided for an impairment of contract receivables amounting to RMB 115,158,000 (2013: Nil).

Allowance for trade and other receivables

The allowance for doubtful debts of the Group is based on the ageing analysis and management's continuous evaluation of the recoverability of the outstanding receivables. In assessing the ultimate realisation of these receivables, management considers, among other factors, the creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The carrying amounts of the Group's and the Company's trade and other receivables as at 31 December 2014 were RMB 119,161,000 (2013: RMB 323,392,000) and RMB 19,676,000 (2013: RMB 19,612,000), respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.2 Key sources of estimation uncertainty (Continued)

Provision for income taxes

The Group has exposure to income taxes in different jurisdictions of which a portion of these taxes arose from certain transactions and computations for which ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities of expected tax issues based on its best estimates of the likely taxes due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the current tax and deferred tax positions in the period in which such determination is made. The carrying amounts of the Group's current tax payable, deferred tax liabilities and deferred tax assets as at 31 December 2014 were RMB 5,372,000 (2013: RMB 3,927,000), RMB 7,396,000 (2013: RMB 7,722,000) and RMB Nil (2013: RMB 616,000), respectively.

4. Revenue

	<u>Group</u>	
	<u>2014</u> RMB'000	<u>2013</u> RMB'000
Sale of goods	788,650	785,977
Contract revenue	8,850	9,143
	797,500	795,120

5. Other income

	<u>Group</u>	
	<u>2014</u> RMB'000	<u>2013</u> RMB'000
Amortisation of deferred capital grants	480	379
Compensation income	430	1,657
Extinguishment of trade and other payables	1,642	100
Gain on disposal of a subsidiary	-	785
Gain on sale of raw materials and by-products	879	272
Gain on disposal of held-for-trading investments (Note 18)	6	-
Government grants and subsidies	3,276	5,462
Interest income	3,844	3,835
Rental income	92	91
Write-back of receivables	7,164	-
Royalty income	-	100
Others	94	111
	17,907	12,792

Compensation income relates to damages received from suppliers arising from breach of certain contracts/agreements.

Government grants and subsidies received by the Group relate mainly to 科技补助基金 and 产品研发补助基金 and are given by the PRC government to encourage companies to conduct research and development to launch new products and expand their businesses.

Royalty income relates to the licence of the Group's trademark to a related party, Fuqing Aton Innovation Building Materials Co., Ltd. In financial year 2014, the Group has terminated the license granted to the related party.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

6. Other expenses

	<u>Group</u>	
	<u>2014</u> RMB'000	<u>2013</u> RMB'000
Impairment loss on doubtful trade receivables, net	19,831	13,617
Impairment loss on contract receivables	115,158	-
Impairment loss on property, plant and equipment	7,033	23,022
Inventories written-off	6,304	866
Loss on disposal of property, plant and equipment	803	3,287
Loss on disposal of held-for-trading investments	-	17
Loss on sale of raw materials and by-products	412	1,209
Loss on deconsolidation of a subsidiary	316	-
Loss on disposal of an associate	914	-
Prepayments written-off	-	6,087
Research and development costs	3,598	6,498
Trade and other receivables written-off	4,797	-
Provision of inventories, net	219	6,468
Others	15	9
	<u>159,400</u>	<u>61,080</u>

Included in the prepayments written-off during the financial year ended 31 December 2013 was a receivable from a third party vendor amounting to RMB 4,998,000. (Note 12).

7. Finance costs

	<u>Group</u>	
	<u>2014</u> RMB'000	<u>2013</u> RMB'000
Interest expenses on convertible loans	1,294	2,197
Imputed interest on term loan from a third party	46	53
Interest expenses on borrowings	<u>105,220</u>	<u>87,401</u>
	<u>106,560</u>	<u>89,651</u>

8. Loss before income tax

The following charges/(credit) were included in the determination of loss before income tax:

	<u>Group</u>	
	<u>2014</u> RMB'000	<u>2013</u> RMB'000
Cost of inventories recognised as expense	597,918	599,619
Foreign exchange loss/(gain), net	294	(1,007)
Operating lease expenses	3,633	4,088
Audit fees paid/payable to:		
- Auditors of the Company	877	1,316
- Other auditors	1,113	1,509
Non-audit fees paid/payable to:		
- Other auditors	-	16
Staff costs, including key management personnel remuneration (Note 29)		
- Salaries, wages and bonuses	89,976	87,731
- Contributions to defined contribution plans	4,569	4,756
- Other short-term benefits	<u>10,734</u>	<u>10,710</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

9. Income tax expense

	<u>2014</u> RMB'000	<u>Group</u> <u>2013</u> RMB'000
Current income tax		
- Current year	1,458	1,154
- Under provision in prior years	592	2,972
	<u>2,050</u>	<u>4,126</u>
Deferred income tax		
- Current year	290	476
	<u>2,340</u>	<u>4,602</u>

Domestic income tax is calculated at 17% (2013: 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The income tax expense varied from the amount of income tax determined by applying the income tax rates applicable to different jurisdictions to loss before income tax as a result of the following differences:

	<u>2014</u> RMB'000	<u>Group</u> <u>2013</u> RMB'000
Loss before income tax	(282,078)	(163,443)
Income tax at statutory rates	(45,540)	(29,496)
Add/(Less):		
Tax effect on non-deductible expenses	7,163	5,431
Tax effect on non-taxable income	(779)	(1,285)
Under provision of current tax in prior years	592	2,972
Deferred tax assets not recognised	41,230	27,477
Others	(326)	(497)
Total income tax expense	<u>2,340</u>	<u>4,602</u>

Singapore

The corporate income tax rate applicable to the Company and Atontech (Singapore) Pte. Ltd. is 17% for the year of assessment 2010 onwards.

British Virgin Islands

There is no income tax expense for Best Connect Resources Limited, One Sea Development Ltd. and Eagle Super Associates Limited as the income of these subsidiaries are tax exempted under the provisions of the British Virgin Islands Income Tax Act.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

9. Income tax expense (Continued)

People's Republic of China

Pursuant to 高新技术企业税收优惠, Fujian Aton Advanced Materials Science and Technology Co., Ltd. and the branches registered under it are subject to income tax at a concessionary rate of 15% up to year 2016.

Pursuant to 高新技术企业税收优惠, Yatong Plastic (Hubei) Co., Ltd. is subject to income tax at a concessionary rate of 15% up to year 2014.

Pursuant to 西部大开发政策措施, Gansu Tenglong Watersaving Co., Ltd. is subjected to income tax at a concessionary rate of 15% up to year 2015.

Pursuant to 新政发(2010)92 号, Xinjiang Aton Advanced Materials Science and Technology Co., Ltd. is subjected to income tax at a concessionary rate of 15% up to year 2020.

During the 5th Session of the 10th National People's Congress of the PRC, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the "New Corporate Income Tax Law") was approved and became effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but not limited to, the unification of the income tax for domestic-invested and foreign-invested enterprises at 25%. Based on the implementation and administrative rules and regulations relating to the New Corporate Income Tax Law, PRC subsidiaries which have been granted tax concessions will continue to enjoy these concessions until the expiry of such concession period. Thereafter, they will be subject to income tax at the rate of 25%.

The other PRC subsidiaries are subject to income tax at a rate of 25% (2013: 25%).

10. Loss per share

The calculation of basic loss per share was based on the loss attributable to owners of the Company of RMB 280,245,000 (2013: RMB 162,669,000) and a weighted average number of ordinary shares outstanding of 287,595,000 (2013: 287,595,000), calculated as follows:

Weighted average number of ordinary shares (basic)

	2014 '000	Group 2013 '000
Issued ordinary shares at beginning of year	287,595	287,595
Weighted average number of ordinary shares	287,595	287,595

The calculation of diluted loss per share was based on the loss attributable to owners of the Company (after adjustment for interest expense on convertible loans recognised during the financial year) of RMB 278,951,000 (2013: RMB 160,472,000), and a weighted average number of ordinary shares outstanding (after adjustment for the effect on conversion of the dilutive convertible loans) of 320,095,000 (2013: 320,095,000), calculated as follows:

Loss attributable to owners of the Company (diluted)

	2014 RMB'000	Group 2013 RMB'000
Loss attributable to owners of the Company (basic)	(280,245)	(162,669)
Add: interest expense on convertible loans	1,294	2,197
Loss attributable to owners of the Company (diluted)	(278,951)	(160,472)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

10. Loss per share (Continued)

Weighted average number of ordinary shares (diluted)

	Group	
	<u>2014</u> ‘000	<u>2013</u> ‘000
Weighted average number of ordinary shares (basic)	287,595	287,595
Effect of dilution from convertible loans	<u>32,500</u>	<u>32,500</u>
Weighted average number of ordinary shares (diluted)	<u><u>320,095</u></u>	<u><u>320,095</u></u>

The Group does not have any potential antidilutive ordinary shares at the end of the financial year.

11. Land use rights

	Group	
	<u>2014</u> RMB'000	<u>2013</u> RMB'000
Cost		
Balance at 1 January	83,563	82,014
Additions	<u>16,913</u>	<u>1,549</u>
Balance at 31 December	<u><u>100,476</u></u>	<u><u>83,563</u></u>
Accumulated amortisation		
Balance at 1 January	10,321	8,544
Amortisation	<u>1,976</u>	<u>1,777</u>
Balance at 31 December	<u><u>12,297</u></u>	<u><u>10,321</u></u>
Carrying amount		
Balance at 31 December	<u><u>88,179</u></u>	<u><u>73,242</u></u>

The Group has land use rights over various plots of state-owned land in the PRC where the Group's production, office, storage and dormitory facilities reside. The land use rights are not transferable and have remaining tenures of between 30 and 50 (2013: 31 and 49) years.

The Group's land use rights with an aggregate carrying amount of RMB 66,494,000 (2013: RMB 58,353,000) were mortgaged as securities for certain borrowings (Note 24).

During the financial year ended 31 December 2014, a PRC subsidiary, Yatong Plastic (Hubei) Co, Ltd., acquired land use right of RMB 19,130,000, of which RMB 2,217,000 was financed through government grant. The land use right is for a period of 50 years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

12. Property, plant and equipment

<u>Group</u>	<u>Buildings</u> RMB'000	<u>Plant and machinery</u> RMB'000	<u>Office and electronic equipment</u> RMB'000	<u>Motor vehicles</u> RMB'000	<u>Construction- in-progress</u> RMB'000	<u>Total</u> RMB'000
Cost						
Balance at 1 January 2013	171,826	376,457	18,399	12,109	53,676	632,467
Additions	1,404	8,032	914	186	18,530	29,066
Disposal of a subsidiary (Note 14)	-	-	(17)	(280)	-	(297)
Disposals	-	(10,954)	(586)	(624)	(36)	(12,200)
Adjustment [#]	(4,630)	(368)	-	-	-	(4,998)
Transfers	50,530	6,164	287	-	(56,981)	-
Balance at 31 December 2013	219,130	379,331	18,997	11,391	15,189	644,038
Balance at 1 January 2014	219,130	379,331	18,997	11,391	15,189	644,038
Additions	39	14,967	1,739	505	11,519	28,769
Disposals	(136)	(4,671)	(380)	(1,311)	-	(6,498)
Transfers	2,607	7,747	27	324	(10,705)	-
Balance at 31 December 2014	221,640	397,374	20,383	10,909	16,003	666,309

[#] Adjustment relates to over-payment of acquisition costs in prior year to be recovered from a third-party vendor and this receivable was written-off in financial year 2013 (Note 6).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

12. Property, plant and equipment (Continued)

<u>Group</u>	<u>Buildings</u> RMB'000	<u>Plant and machinery</u> RMB'000	<u>Office and electronic equipment</u> RMB'000	<u>Motor vehicles</u> RMB'000	<u>Construction- in-progress</u> RMB'000	<u>Total</u> RMB'000
Accumulated depreciation and impairment losses						
Balance at 1 January 2013	36,034	220,475	13,318	7,529	-	277,356
Depreciation	8,742	23,009	2,050	1,207	-	35,008
Impairment losses	1,194	20,792	266	414	356	23,022
Disposals	-	(7,663)	(522)	(553)	-	(8,738)
Disposal of a subsidiary (Note 14)	-	-	(5)	(75)	-	(80)
Balance at 31 December 2013	45,970	256,613	15,107	8,522	356	326,568
Balance at 1 January 2014	45,970	256,613	15,107	8,522	356	326,568
Depreciation	9,722	21,467	1,481	1,033	-	33,703
Impairment losses	2,021	292	-	-	4,720	7,033
Disposals	(13)	(3,811)	(334)	(1,164)	-	(5,322)
Balance at 31 December 2014	57,700	274,561	16,254	8,391	5,076	361,982
Carrying amount						
Balance at 31 December 2013	173,160	122,718	3,890	2,869	14,833	317,470
Balance at 31 December 2014	163,940	122,813	4,129	2,518	10,927	304,327

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

12. Property, plant and equipment (Continued)

<u>Company</u>	Office and electronic equipment RMB'000
Cost	
Balance at 1 January 2013	61
Additions	19
Balance at 31 December 2013	80
Additions	9
Balance at 31 December 2014	89
Accumulated depreciation	
Balance at 1 January 2013	25
Depreciation	11
Balance at 31 December 2013	36
Depreciation	11
Balance at 31 December 2014	47
Carrying amount	
Balance at 31 December 2013	44
Balance at 31 December 2014	42

The Group's buildings and plant and machinery with an aggregate carrying amount of RMB 105,621,000 (2013: RMB 86,961,000) and RMB 1,884,000 (2013: RMB 8,728,000), respectively, were mortgaged or pledged as securities for certain borrowings (Note 24).

During the financial year ended 31 December 2014, the Group acquired property, plant and equipment with an aggregate value of RMB 28,769,000 (2013: RMB 29,066,000) of which RMB 26,769,000 (2013: RMB 27,996,000) was acquired by means of cash payments and RMB 2,000,000 (2013: RMB 1,070,000) was financed through government grant.

Due to the persistent losses incurred by various PRC subsidiaries, the management has carried out a review of the recoverable amount of the properties during the financial year ended 31 December 2014. Accordingly, impairment losses amounting to RMB 7,033,000 (Note 6) were recognised for those properties with value-in-use less than their respective recoverable amounts. The impairment losses amounting to RMB 23,022,000 (Note 6) in financial year 2013 was due to the persistent losses incurred by various PRC subsidiaries in respect of certain product lines. The recoverable amounts of the relevant assets have either been determined on the basis of higher of fair value less cost of disposal which is based on the market selling price of similar assets or value-in-use. The recoverable amount of the certain product lines was based on its value-in-use and pre-tax discount rate used was 12.2% (2013: 9.08%).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

13. Goodwill

	<u>2014</u> RMB'000	<u>Group</u> <u>2013</u> RMB'000
Cost		
Balance at 1 January and 31 December	<u>3,944</u>	<u>3,944</u>
Carrying amount		
Balance at 31 December	<u>3,944</u>	<u>3,944</u>

Goodwill acquired in a business combination is allocated to the cash-generating unit that is expected to benefit from that business combination. The carrying amount of goodwill in respect of the acquisition of Xiamen Honghao Pipes Co., Ltd. had been allocated to the plastic pipe segment.

The Group tests the cash-generating unit for impairment annually or more frequently when there is an indication that the unit may be impaired.

During the year, the Company carried out a review of the recoverable amount of goodwill. No impairment is required as the recoverable amount is higher than its value-in-use. The recoverable amount of the cash-generating unit is determined from value-in-use calculation using cash flow projections from financial budget approved by management covering five-year period. The pre-tax discount rate applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flow projections beyond the five-year period are as follows:

1. The growth rate is 28%, 10%, 10%, 6%, 6% and 0% for year 2015, 2016, 2017, 2018, 2019, 2020 and beyond (2013: 7.4%, 6% and 5% for year of 2014, 2015 and 2016 to 2018) respectively.
2. The discount rate is 12.2% p.a. (2013: 9.08%) which is pre-tax discount rate applied to the pre-tax cash flows projections.
3. Gross margin is 13.6% (2013: 15.7%).

The key assumptions for this value-in-use calculation are those regarding the discount rate, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rate using pre-tax rate that reflect current market assessments of time value of money and risks specific to the cash-generating unit. The discount rate is derived from the weighted average cost of the Group's capital. The growth rate is forecasted taking into consideration of the economic growth forecast and industry growth forecast of the country in which the cash-generating unit is operating. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

14. Investments in subsidiaries

	<u>Company</u>	
	<u>2014</u>	<u>2013</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Unquoted equity shares, at cost	413,694	413,694
Add: Additions (Note (b))	39	-
Less: Deconsolidation during the year (Note (c))	(86,790)	-
Less: Disposal during the year (Note (a))	(5,485)	-
	<u>321,458</u>	<u>413,694</u>
Less: Impairment loss		
Balance at 1 January	(225,000)	-
Additions	(58,329)	(225,000)
Balance at 31 December	<u>(283,329)</u>	<u>(225,000)</u>
	<u>38,129</u>	<u>188,694</u>

(a) On 18 September 2014, the Company transferred 51% of Sinopipe Guizhou Co., Ltd., previously a wholly-owned subsidiary, to Fujian Aton Advanced Materials Science and Technology Co., Ltd. with a consideration amounting to RMB 5,485,000. There is no change in percentage of effective equity interest held by the Group for the year ended 31 December 2014.

(b) On 28 November 2014, the Company has incorporated a wholly-owned subsidiary, named Atontech (Hong Kong) Co. Limited (亞通管業(香港)有限公司) in Hong Kong. The issued and paid-up share capital of the subsidiary upon incorporation is HKD 50,000. There is no material impact on the consolidated financial statements for the year ended 31 December 2014.

(c) Deconsolidation of a subsidiary

In financial year 2014, a subsidiary of Sinopipe Holdings Limited, Yangzhou Public Industrial Co., Ltd., was struck off.

The carrying amount of the assets and liabilities of the PRC subsidiary recorded in the consolidated financial statements as at 1 January 2014, and the cash flow effect of the deconsolidation is as follows:

<u>Group</u>	<u>2014</u>
	<u>RMB'000</u>
Other receivables	1
Cash and bank balances	394
Other payables	<u>(23)</u>
Net assets	372
Other reserves	(56)
Consideration	<u>-</u>
Loss on deconsolidation of a subsidiary	<u>316</u>
Net cash outflow on deconsolidation of a subsidiary	<u>(394)</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

14. Investments in subsidiaries (Continued)

(d) Disposal of a subsidiary

On 19 March 2013, the subsidiary of Fujian Atontech, Aton (Luoyang) Water Resources Development Co., Ltd., disposed its 59.66% equity interest in Aton (Wugang) Water Resources Development Co., Ltd., to the non-controlling interest for a consideration RMB 4,313,000. The consideration has been utilised for the purpose of repayment of trade payables balance owing to the same non-controlling interest.

The carrying amount of the assets and liabilities of the disposed PRC subsidiary recorded in the consolidated financial statements as at the date of disposal, and the cash flow effect of the disposal are as follows:

<u>Group</u>	<u>2013</u> <u>RMB'000</u>
Property, plant and equipment	217
Inventories	2,711
Trade and other receivables	25,460
Cash and bank balances	619
Trade and other payables	(14,193)
Non-controlling interests	(11,286)
Net assets	3,528
Consideration	(4,313)
Gain on disposal of subsidiary	(785)
Net cash outflow on disposal of subsidiary	(619)

During the year, the Company carried out a review of the recoverable amount of the investments in subsidiaries. The review led to the recognition of an impairment loss of RMB 58,329,000 (2013: RMB 225,000,000) in investments in subsidiaries based on estimated recoverable amount of the subsidiaries.

The details of the subsidiaries are as follows:

The details of the subsidiaries are as follows:

<u>Name of subsidiary</u>	<u>Principal activities</u>	<u>Principal place of business</u>	<u>Percentage of effective equity interest held by the Group</u>	
			<u>2014</u> %	<u>2013</u> %
<u>Held by the Company</u>				
Best Connect Resources Limited ⁽¹⁾	Investment holding	British Virgin Islands	100	100
One Sea Development Ltd. ⁽¹⁾	Investment holding	British Virgin Islands	100	100
Eagle Super Associates Limited ⁽¹⁾	Investment holding	British Virgin Islands	100	100
Fujian Aton Advanced Materials Science and Technology Co., Ltd. ⁽³⁾	Production and sale of plastic pipes and fittings	People's Republic of China	68.52	68.52
Yangzhou Public Industrial Co., Ltd. ⁽⁹⁾	Dormant	People's Republic of China	-	99.60

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

14. Investments in subsidiaries (Continued)

Name of subsidiary	Principal activities	Principal place of business	Percentage of effective equity interest held by the Group	
			2014 %	2013 %
Held by the Company				
Sinopipe Guizhou Co., Ltd. ⁽⁹⁾	Production and sale of plastic pipes and fittings	People's Republic of China	49	100
Atontech (Hong Kong) Co. Limited ⁽¹⁾	Trading and distribution of plastic pipes and fittings	Hong Kong	100	-
Held by/through subsidiaries				
Fujian Aton Advanced Materials Science and Technology Co., Ltd. ⁽³⁾	Production and sale of plastic pipes and fittings	People's Republic of China	30.91	30.91
Yatong Plastic (Hubei) Co., Ltd. ⁽⁴⁾	Production and sale of plastic pipes and fittings	People's Republic of China	99.60	99.60
Aton Plastics (Chongqing) Co., Ltd. ⁽⁵⁾	Production and sale of plastic pipes and fittings	People's Republic of China	79.54	79.54
Yatong Plastic & Rubbers (Kaifeng) Co., Ltd. ⁽⁶⁾	Production and sale of plastic pipes and fittings	People's Republic of China	99.57	99.57
Aton (Luoyang) Water Resources Development Co., Ltd. ⁽⁷⁾	Production and sale of plastic pipes and fittings	People's Republic of China	99.43	99.43
Xiamen Honghao Pipes Co., Ltd. ⁽⁸⁾	Production and sale of plastic pipes and fittings	People's Republic of China	54.91	54.91
Sichuan Aton Plastics Co., Ltd. ⁽⁹⁾	Production and sale of plastic pipes and fittings	People's Republic of China	99.43	99.43
Sinopipe Guizhou Co., Ltd. ⁽⁹⁾	Production and sale of plastic pipes and fittings	People's Republic of China	51	-
Inner Mongolia Aton Plastics Co., Ltd. ⁽⁹⁾	Production and sale of plastic pipes and fittings	People's Republic of China	57.69	57.69
Xinjiang Aton Advanced Materials Science and Technology Co., Ltd. ⁽⁹⁾	Production and sale of plastic pipes and fittings	People's Republic of China	99.43	99.43
Gansu Tenglong Watersaving Co., Ltd. ⁽⁹⁾	Production and sale of plastic pipes and fittings	People's Republic of China	84.52	84.52
Beijing Aton Plastics Co., Ltd. ⁽⁹⁾	Production and sale of plastic pipes and fittings	People's Republic of China	99.43	99.43
Atontech (Singapore) Pte. Ltd. ⁽²⁾	Inactive	Singapore	99.43	99.43

- (1) Not required to be audited by the law of its country of incorporation
(2) Audited by Mazars LLP
(3) Audited by Fujian Zhengyuan Certified Public Accountants Co., Ltd
(4) Audited by Xiantao Hongxinda Certified Public Accountants Partnership
(5) Audited by Chongqing Chengrui Certified Public Accountants
(6) Audited by Henan Province Songcheng Accountants Office Co., Ltd
(7) Audited by Luoyang Yedingxing Certified Public Accountants Partnership
(8) Audited by Xiamen Xinlongyuan Certified Public Accountants Co., Ltd.
(9) Audited by other Certified Public Accountants in the PRC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

14. Investments in subsidiaries (Continued)

The subsidiaries in the PRC are audited by Certified Public Accountants in the PRC for the purpose of PRC statutory reporting. Significant PRC subsidiaries are re-audited by Shanghai Mazars Certified Public Accountants and Mazars Consulting Co., Ltd., Beijing Branch for the purpose of consolidation and reporting to Mazars LLP to comply with Singapore Standards on Auditing.

The Group has the following subsidiaries which have non-controlling interests ("NCI") that are material to the Group:

Subsidiaries	Proportion of ownership interest held by NCI		Profit/(loss) allocated to NCI during the financial year		Accumulated NCI at the reporting date	
	2014 %	2013 %	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Xiamen Honghao Pipes Co., Ltd.	45.09	45.09	546	416	1,978	1,432
Inner Mongolia Aton Plastics Co., Ltd.	42.31	42.31	(3,653)	(4,059)	(5,225)	(1,572)
Aton Plastics (Chongqing) Co., Ltd.	20.46	20.46	340	(519)	(10,136)	(10,476)
Gansu Tenglong Watersaving Co., Ltd	15.48	15.48	(1,204)	(1,207)	(3,144)	(1,940)

No dividend was declared in financial year 2014 and 2013.

There are no significant restrictions on the Group's ability to access or use the assets and settle the liabilities of the Group except for cash and bank balances held in the PRC of RMB245,986,000 (2013: RMB260,076,000) which are subject to local exchange control regulations which restrict the amount of currency to be exported other than through dividends.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

14. Investments in subsidiaries (Continued)

Summarised financial information (before intercompany eliminations):

	Xiamen Honghao Pipes Co., Ltd.		Inner Mongolia Aton Plastics Co., Ltd.		Aton Plastics (Chongqing) Co., Ltd.		Gansu Tenglong Watersaving Co., Ltd.	
	2014	2013	2014	2013	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets								
Non-current	6,593	6,728	14,479	15,254	9,438	10,029	3,078	3,593
Current	3,623	6,093	5,616	10,980	184,765	125,607	8,177	13,538
Liabilities								
Non-current	-	-	(3,846)	(4,195)	-	-	-	-
Current	(11,667)	(15,812)	(27,442)	(24,383)	(143,513)	(83,248)	(31,015)	(28,863)
Net assets/(liabilities)	(1,451)	(2,991)	(11,193)	(2,344)	50,690	52,388	(19,760)	(11,732)
Revenue	22,405	25,264	5,351	11,320	53,610	49,533	20,296	17,785
Profit/(loss) after income tax	1,540	1,302	(8,849)	(8,565)	(1,698)	(2,593)	(8,028)	(6,850)
Total comprehensive income/(loss)	1,540	1,302	(8,849)	(8,565)	(1,698)	(2,593)	(8,028)	(6,850)
Net cash flow from operations	336	1,011	2,488	999	27,924	14,111	1,796	18,429

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

15. Investments in associates

	<u>Group</u>		<u>Company</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Unquoted equity shares, at cost	17,314	17,314	14,000	14,000
Less: Disposal	(914)	-	-	-
Share of post-acquisition reserves	(5,057)	(3,524)	-	-
	<u>11,343</u>	<u>13,790</u>	<u>14,000</u>	<u>14,000</u>

The details of the associates are as follows:

<u>Name of associate</u>	<u>Principal activities</u>	<u>Principal place of business</u>	<u>Percentage of effective equity interest held by the Group</u>	
			<u>2014</u> %	<u>2013</u> %
<u>Held by the Company</u>				
Yunnan Aton High Molecular Materials Technology Co., Ltd. ⁽¹⁾	Production and sale of plastic pipes and fittings	People's Republic of China	35.00	35.00
<u>Held by a subsidiary</u>				
Liaoning Baotong Advanced Materials Technology Co., Ltd. ⁽³⁾	Dormant	People's Republic of China	-	39.77
Fujian Industrial Plastic Technology Research and Development Co., Ltd. ⁽²⁾	Research and development and provision of technical consultancy services in plastic technology sector	People's Republic of China	47.73	47.73

(1) Audited by Kunming Yunmu Certified Public Accountants Co., Ltd.

(2) Audited by Fuzhou Hongyou Certified Public Accountants Limited

(3) Struck off during the year

The summarised financial information of the associates, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	<u>Yunnan Aton High Molecular Materials Technology Co., Ltd.</u>		<u>Others</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Assets				
Non-current	44,871	46,879	602	645
Current	15,109	18,675	5,174	8,015
Liabilities				
Current	(31,839)	(33,140)	(31)	(76)
Net assets	<u>28,141</u>	<u>32,414</u>	<u>5,776</u>	<u>8,584</u>
Revenue	17,135	16,203	1,790	1,334
(Loss)/profit for the year representing total comprehensive (loss)/profit	(4,275)	(1,570)	77	287
Group's share of associates' (loss)/profit for the year	<u>(1,496)</u>	<u>(550)</u>	<u>(37)</u>	<u>138</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

16. Deferred tax

	<u>Group</u>		<u>Company</u>	
	<u>2014</u> RMB'000	<u>2013</u> RMB'000	<u>2014</u> RMB'000	<u>2013</u> RMB'000
Deferred tax assets	<u>-</u>	<u>616</u>	<u>-</u>	<u>-</u>
Deferred tax liabilities	<u>(7,396)</u>	<u>(7,722)</u>	<u>-</u>	<u>(220)</u>

Movements in deferred tax position are as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2014</u> RMB'000	<u>2013</u> RMB'000	<u>2014</u> RMB'000	<u>2013</u> RMB'000
Balance at 1 January	(7,106)	(6,630)	(220)	(594)
(Charged)/Credited to profit or loss	<u>(290)</u>	<u>(476)</u>	<u>220</u>	<u>374</u>
Balance at 31 December	<u>(7,396)</u>	<u>(7,106)</u>	<u>-</u>	<u>(220)</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

16. Deferred tax (Continued)

The following are major deferred tax liabilities and assets recognised by the Group and the Company and movements thereon during the financial year:

<u>Group</u>	<u>Allowances for inventories and trade receivables</u> RMB'000	<u>Undistributed earnings of subsidiaries</u> RMB'000	<u>Fair value adjustments on acquisition of a subsidiary</u> RMB'000	<u>Convertible loans</u> RMB'000	<u>Total</u> RMB'000
Deferred tax assets					
Balance at 1 January 2013	1,589	-	-	-	1,589
Charged to profit or loss	(973)	-	-	-	(973)
Balance at 31 December 2013	616	-	-	-	616
Charged to profit or loss	(616)	-	-	-	(616)
Balance at 31 December 2014	-	-	-	-	-
Deferred tax liabilities					
Balance at 1 January 2013	-	(5,394)	(2,231)	(594)	(8,219)
Credited to profit or loss	-	-	123	374	497
Balance at 31 December 2013	-	(5,394)	(2,108)	(220)	(7,722)
Credited to profit or loss	-	-	106	220	326
Balance at 31 December 2014	-	(5,394)	(2,002)	-	(7,396)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

16. Deferred tax (Continued)

Company

Convertible loans RMB'000

Deferred tax liabilities

Balance at 1 January 2013

(594)

Credited to profit or loss

374

Balance at 31 December 2013

(220)

Credited to profit or loss

220

Balance at 31 December 2014

-

Unrecognised tax losses

The Group has tax losses of RMB 262,471,000 (2013: RMB 158,896,000) that are available for offset against future taxable profits of certain subsidiaries in which the losses arose, for which no deferred tax asset is recognised as the Group is able to control the timing of the reversal and it is probable that such differences will not be reversed in the foreseeable future. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation in which the loss-making subsidiaries operate.

Unrecognised temporary differences relating to investments in subsidiaries

Deferred tax liabilities of RMB 5,972,000 (2013: RMB 2,224,000) have not been recognised for taxes that would be payable on the distribution of the undistributed earnings of certain subsidiaries for the financial year ended 31 December 2013 as the Group is able to control the timing of the reversal and it is probable that such differences will not be reversed in the foreseeable future.

17. Inventories

	<u>Group</u>	
	<u>2014</u>	<u>2013</u>
	RMB'000	RMB'000
Raw materials	47,957	41,417
Consumables	11,182	10,903
Work in progress	4,333	4,186
Finished goods	70,779	80,126
	134,251	136,632
Allowance for write-down of inventories	(26,581)	(27,208)
	107,670	109,424

The cost of inventories written-off as an expense amounts to RMB 6,304,000 (2013: RMB 866,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

17. Inventories (Continued)

Movements in allowance for write-down of inventories are as follows:

	<u>2014</u> <u>RMB'000</u>	<u>Group</u> <u>2013</u> <u>RMB'000</u>
Balance at 1 January	27,208	21,445
Allowance made	219	6,468
Allowance utilised	<u>(846)</u>	<u>(705)</u>
Balance at 31 December	<u>26,581</u>	<u>27,208</u>

The write back of inventories resulted from Group's sales of inventories at a higher price.

18. Held-for-trading investments

	<u>2014</u> <u>RMB'000</u>	<u>Group</u> <u>2013</u> <u>RMB'000</u>
<u>Quoted equity security, at fair value</u>		
Balance at 1 January	500	-
Additions	50	900
Less: disposal	<u>(550)</u>	<u>(400)</u>
Balance at 31 December	<u>-</u>	<u>500</u>

The fair value of this security was based on closing quoted market price on the last market day of the financial year.

The quoted equity security is denominated in Renminbi.

The quoted equity securities of RMB 500,000 and RMB 50,000 were sold on 6 August 2014 and 27 November 2014 respectively for cash consideration of RMB 506,000 and RMB 50,000, resulting in a net gain on disposal of RMB 6,000 (Note 5).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

19. Construction contracts

	Group	
	2014 RMB'000	2013 RMB'000
Contract costs incurred to date	251,615	251,458
Recognised profits to date	84,550	75,766
	<u>336,165</u>	<u>327,224</u>
Less: progress billings	(173,006)	(138,526)
	<u>163,159</u>	<u>188,698</u>
Less: Impairment loss made on contract receivables	(115,158)	-
	<u>48,001</u>	<u>188,698</u>
Represented by:		
Amounts due from contract customers (Note 20)	<u>48,001</u>	<u>188,698</u>

The amounts due from contract customers are denominated in Renminbi.

There are no retention monies held by customers for contract work nor advances received from customers for contract work as at 31 December 2014 and 2013.

20. Trade and other receivables

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Trade receivables				
- Third parties	130,304	184,424	-	-
- Associates	1	5,251	-	-
	<u>130,305</u>	<u>189,675</u>	<u>-</u>	<u>-</u>
Allowance for doubtful debts	<u>(88,747)</u>	<u>(83,176)</u>	<u>-</u>	<u>-</u>
	<u>41,558</u>	<u>106,499</u>	<u>-</u>	<u>-</u>
Amounts due from contract customers (Note 19)	48,001	188,698	-	-
Amounts due from subsidiaries (non-trade)	-	-	19,613	19,586
Bills receivables	-	200	-	-
Advances to employees	27	38	-	-
Deposits	7,327	7,561	56	19
Value-added taxes receivable	13,937	14,028	-	-
Other receivables	<u>8,311</u>	<u>6,368</u>	<u>7</u>	<u>7</u>
	<u>119,161</u>	<u>323,392</u>	<u>19,676</u>	<u>19,612</u>

Trade receivables are non-interest bearing and are generally on 90 to 180 (2013: 90 to 180) days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The Group's trade receivables with an aggregate carrying amount of RMB 46,357,000 (2013: RMB 37,968,000) were pledged as securities for certain borrowings (Note 24).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

20. Trade and other receivables (Continued)

Movements in allowance for doubtful receivables are as follows:

	<u>Group</u>	
	<u>2014</u> RMB'000	<u>2013</u> RMB'000
Balance at 1 January	83,176	75,680
Allowance made	20,923	14,039
Write-back	(1,092)	(422)
Allowance utilised	(14,260)	(6,121)
	<u>88,747</u>	<u>83,176</u>
Balance at 31 December		

Trade receivables that are individually determined to be impaired at the end of the financial year relate to debtors that are in financial difficulties and/or have defaulted on payments. These trade receivables are not secured by any collateral or credit enhancement. Reversal of allowances is due to amount either recovered during the financial year or has been reassessed as recoverable.

The bills receivables from banks and commercial companies are interest-free and have maturity of nil (2013: 6) months.

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

The currency profiles of the Group's and the Company's trade and other receivables as at 31 December are as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2014</u> RMB'000	<u>2013</u> RMB'000	<u>2014</u> RMB'000	<u>2013</u> RMB'000
Renminbi	119,025	323,366	-	-
Singapore dollar	63	26	131	158
United States dollar	73	-	19,545	19,454
	<u>119,161</u>	<u>323,392</u>	<u>19,676</u>	<u>19,612</u>

Prepayments

The prepayment of RMB 17.9 million (2013: 24.2 million) mainly represent prepayment for the purchase of property, plant and equipment and raw materials.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

21. Cash and bank balances

	<u>Group</u>		<u>Company</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Cash balances	173	1,021	23	24
Bank balances	245,908	259,208	72	129
	<u>246,081</u>	<u>260,229</u>	<u>95</u>	<u>153</u>

The bank balances earn interest at floating rates based on daily bank deposit average effective interest rate of 0.35% (2013: 0.35%) per annum.

Bank balances amounting to RMB 221,169,000 (2013: RMB 156,993,000) were pledged to banks to secure banking facilities, including bills payables, extended to the Group. In addition, bank balance amounting to RMB 6,389,000 (2013: RMB 10,030,000) was pledged to bank to secure banking facility of distributors.

The currency profiles of the Group's and the Company's cash and cash equivalents as at 31 December are as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Renminbi	245,911	236,494	-	-
Hong Kong dollar	1	23,451	-	-
Singapore dollar	93	198	93	147
United States dollar	76	86	2	6
	<u>246,081</u>	<u>260,229</u>	<u>95</u>	<u>153</u>

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	<u>Group</u>	
	<u>2014</u>	<u>2013</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Cash and bank balances	246,081	260,229
Bank balances pledged	(227,558)	(167,023)
	<u>18,523</u>	<u>93,206</u>

22. Share capital

	<u>Group and Company</u>			
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<u>Number ('000) of ordinary</u>		<u>RMB'000</u>	<u>RMB'000</u>
	<u>shares with no par value</u>			
Issued and paid up				
At beginning and end of year	<u>287,595</u>	<u>287,595</u>	<u>313,344</u>	<u>313,344</u>

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

23. Other reserves

	<u>Group</u>		<u>Company</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Restructuring reserve	(44,093)	(44,093)	-	-
Capital reserve	356	356	-	-
Equity component of				
convertible loans, net of tax	5,316	5,316	5,316	5,316
Statutory surplus reserve	4,088	4,144	-	-
Statutory public welfare fund	16,729	16,729	-	-
Discretionary surplus reserve	3,311	3,311	-	-
Enterprise expansion reserve	2,230	2,230	-	-
	<u>(12,063)</u>	<u>(12,007)</u>	<u>5,316</u>	<u>5,316</u>

Restructuring reserve

The restructuring reserve represents the difference between the nominal value of shares issued by the Company in exchange for the nominal value of shares acquired in respect of the acquisition of subsidiaries accounted for under the pooling of interest method.

Capital reserve

Capital reserve represents the difference between the cash injected by the shareholders and the required capital to be injected. The reserve is non-distributable under PRC laws.

Equity component of convertible loans

This represents the residual amount of convertible loans after deducting the fair value of the liability component. This amount is presented net of transaction costs and deferred tax liability arising from the convertible loans.

Statutory surplus reserve

Pursuant to the Articles of Association of the PRC subsidiaries, these subsidiaries are required to transfer 10% of net profits, as determined in accordance with the PRC accounting rules and regulations, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.

Statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into paid-in capital and allocated to shareholders in proportion to their existing shareholding, provided that the balance after such issue is not less than 25% of the registered capital. This statutory surplus reserve is not distributable in the form of cash dividend.

Statutory public welfare fund

Pursuant to the Articles of Association of the PRC subsidiaries, these subsidiaries are required to transfer 5% of net profits, as determined in accordance with the PRC accounting rules and regulations, to the statutory public welfare fund. Subsequent to 2008, in line with the changes made to the Articles of Association of the PRC subsidiaries, these subsidiaries are no longer required to make the transfer. This fund can only be utilised on capital items for the collective benefit of the employees of these subsidiaries such as the construction of dormitories, canteen and other staff welfare facilities.

This fund is non-distributable other than on liquidation. The transfer to this fund must be made before distribution of a dividend to shareholders.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

23. Other reserves (Continued)

Discretionary surplus reserve

Pursuant to the Articles of Association of certain PRC subsidiaries, these subsidiaries can transfer a portion of net profits, as determined in accordance with the PRC accounting rules and regulations, to the discretionary surplus reserve. The transfer to this reserve must be made before distribution of a dividend to shareholders. The utilisation of this reserve should be proposed by the board of directors and approved by the shareholders.

Enterprise expansion reserve

Pursuant to the Articles of Association of certain PRC subsidiaries, these subsidiaries can transfer a portion of net profits, as determined in accordance with the PRC accounting rules and regulations, to the enterprise expansion reserve. This reserve can be converted to paid-in capital and to acquire property, plant and equipment. The transfer to this reserve must be made before distribution of a dividend to shareholders. The utilisation of this reserve should be proposed by the board of directors and approved by the shareholders.

24. Borrowings

	<u>Group</u>		<u>Company</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
RMB bank loans	407,360	443,251	-	-
RMB loans from third parties	102,224	82,611	-	-
RMB convertible loans	34,697	-	34,697	-
	<u>544,281</u>	<u>525,862</u>	<u>34,697</u>	<u>-</u>
Non-current				
RMB bank loans	103,467	80,578	-	-
RMB loans from third parties	23,500	514	-	-
RMB convertible loans	-	33,403	-	33,403
	<u>126,967</u>	<u>114,495</u>	<u>-</u>	<u>33,403</u>
	<u>671,248</u>	<u>640,357</u>	<u>34,697</u>	<u>33,403</u>

Bank loans

The bank loans are guaranteed or secured as follows:

- RMB 107,889,000 (2013: RMB 114,000,000) is guaranteed by a PRC subsidiary, Fujian Aton Advanced Materials Science and Technology Co., Ltd. ("Fujian Atontech");
- RMB 136,080,000 (2013: RMB 65,675,000) is guaranteed by Wang Sen, the Company's Non-Executive Chairman and is secured by land use rights and buildings with an aggregate carrying amount of RMB 35,946,000 (2013: RMB 1,446,000) and RMB 63,831,000 (2013: RMB 20,050,000), respectively;
- RMB 201,578,000 (2013: RMB 224,578,000) is secured by land use rights and buildings with an aggregate carrying amount of RMB 30,548,000 (2013: RMB 56,907,000) and RMB 41,790,000 (2013: RMB 66,911,000), respectively;
- RMB 35,280,000 (2013: RMB 41,130,000) is secured by trade receivables with an aggregate carrying amount of RMB 46,357,000 (2013: RMB 37,968,000);

24. Borrowings (Continued)

Bank loans (Continued)

- (e) RMB 30,000,000 (2013: RMB 55,000,000) is secured by plant and machinery with an aggregate carrying amount of RMB 1,884,000 (2013: RMB 8,728,000), and is also guaranteed by Fujian Atontech; and

RMB nil (2013: RMB 23,451,000) of the bank loans is unsecured.

The bank loans of RMB 510,827,000 (2013: RMB 523,829,000) bear effective interest rates ranging from 5.60% to 10.20% (2013: 5.85% to 7.28%) per annum and have remaining maturity of between 1 and 27 (2013: 1 and 39) months from the end of the financial year.

Convertible loans

On 27 July 2011, the Company completed the issue of convertible loans.

The aggregate principal amount of the convertible loans is RMB 69,394,000. The zero-coupon convertible loans mature three years from the date of disbursement.

The subscribers shall have the option to convert the convertible loans into ordinary shares of the Company at a conversion price of RMB 1.0676, subject to the following service condition:

- (i) In the event that the subscribers do not succeed in referring and assisting the Group in procuring contracts worth at least RMB 500 million each for (1) the sale and distribution of plastic pipes and pipe fittings, and/or (2) plastic piping systems and networks projects in the PRC by maturity, the maximum amount of the convertible loans that the subscribers are entitled to convert into ordinary shares of the Company at maturity shall be determined by the formula set out in the agreement; and
- (ii) In the event that the subscribers succeed in referring and assisting the Group in procuring contracts worth at least RMB 500 million each for (1) the sale and distribution of plastic pipes and pipe fittings, and/or (2) plastic piping systems and networks projects in the PRC any time before maturity, the subscribers are thereafter entitled to convert the entire convertible loans, either in whole or in parts and at any time, into ordinary shares of the Company at any time up to maturity.

If the conversion of the convertible loans does not take place either fully or partially during the three years, the Company shall on the maturity date repay all outstanding sums of the convertible loans, free of any interest. The Company shall not prepay the convertible loans unless agreed otherwise in writing with the subscribers.

The conversion shares rank *pari-passu* in all respects with and carry all rights similar to the existing shares of the Company.

The values of the liability component and equity component of the convertible loans of RMB 56,583,000 and RMB 12,811,000 respectively were determined at the issuance of the convertible loans. Tax recognised directly in equity in respect of the convertible loans amounted to RMB 2,178,000.

The fair value of the liability component of the convertible loans at the issuance date is calculated using cash flows discounted based on the Group's incremental borrowing rate of 7.04% per annum.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

24. Borrowings (Continued)

Convertible loans (Continued)

The carrying amount of the liability component of the convertible loans at the end of the financial year is arrived at as follows:

	Group and Company	
	2014	2013
	RMB'000	RMB'000
Liability component		
- Balance at 1 January and 31 December	28,292	28,292
Add: Accumulated amortisation of discount		
- Balance at 1 January	5,111	2,914
- Amortisation of discount during the year	1,294	2,197
- Balance at 31 December	6,405	5,111
Carrying amount	34,679	33,403

The conversion of the outstanding balance of the convertible loans amounting to RMB 34,679,000 did not take place fully or partially before the maturity date on 28 July 2014. On 27 July 2014, the subscriber granted an extension to the Company till 30 October 2014 at no interest to repay the outstanding loan amount. On 29 October 2014, the Company made a repayment agreement with the subscriber on the arrangement to settle the outstanding loan. The outstanding loan was fully repaid on 30 January 2015.

Loans from third parties

The details of loans from third parties are as follows:

	2014		2013	
	RMB'000	Effective interest rates	RMB'000	Effective interest rates
Non-current	23,500	11.3%	514	-
Current	102,224	12% - 72%	82,611	6% - 72%
Total	125,724		83,125	

The loans from third parties granted by individuals are unsecured.

- RMB 23,500,000 (2013: RMB 514,000) is repayable over a period of 3 years in 6 instalments (2013: within 1 to 2 years). Under the terms of the loan agreement, interest rate chargeable on the loan is computed by applying a fixed mark-up formula on the prevailing prime rate of the People's Bank of China. Interest amount is computed and payable on monthly basis.
- RMB 102,224,000 (2013: RMB 82,611,000) of which RMB 61,799,000 (2013: RMB 33,317,000) have no fixed repayment date and RMB 40,425,000 (2013: RMB 49,294,000) have remaining maturity of between 5 and 344 (2013: 2 and 365) days from the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

25. Deferred capital grants

	2014 RMB'000	Group 2013 RMB'000
Cost		
Balance at 1 January	13,731	9,409
Additions	2,000	4,322
Balance at 31 December	15,731	13,731
Accumulated amortisation		
Balance at 1 January	1,644	1,265
Amortisation	480	379
Balance at 31 December	2,124	1,644
Carrying amount		
Balance at 31 December	13,607	12,087
Represented by:		
Current	510	419
Non-current	13,097	11,668
	13,607	12,087

Deferred capital grants relate to RMB 4,809,000 received in December 2007 in relation to the exchange of existing buildings of a PRC subsidiary, Inner Mongolia Aton Plastics Co., Ltd. ("Inner Mongolia Aton"), for new buildings pursuant to an agreement entered into between Inner Mongolia Aton and the Science and Technology Bureau of Inner Mongolia Autonomous Region, and RMB 4,600,000 received by a PRC subsidiary, Xinjiang Aton Advanced Materials Science and Technology Co., Ltd., from Changji Finance Bureau in May 2012 for a land use right located in Changji High-tech Industrial Development Zone.

In financial year 2013, RMB 1,070,000 received in relation to the exchange of existing buildings of a PRC subsidiary, Inner Mongolia Aton Plastics Co., Ltd. ("Inner Mongolia Aton"), for new buildings pursuant to an agreement entered into between Inner Mongolia Aton and the Science and Technology Development Center of Inner Mongolia Autonomous Region.

During the financial year ended 31 December 2014, two sum of grants amounted to RMB 1,000,000 each (2013: RMB 2,000,000 and RMB 1,252,000 respectively) were received by a PRC subsidiary, Xinjiang Aton Advanced Materials Science and Technology Co., Ltd., from Changji Finance Bureau in August and December 2014 (2013: February and August) respectively for a land use right located in Changji High-tech Industrial Development Zone.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

26. Trade and other payables

	<u>Group</u>		<u>Company</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables				
- third parties	115,165	102,133	-	-
Bills payables	341,357	299,579	-	-
Accrued expenses	38,349	41,042	4,726	8,145
Provision	10,663	10,663	-	-
Advances from customers	98,378	116,917	-	-
Deferred income	17	152	-	-
Deposits received	12,180	16,071	-	-
Value-added taxes payable	20,325	21,234	-	-
Other payables	57,192	65,676	-	331
Amounts due to subsidiaries (non-trade)	-	-	27,612	112,987
Amount due to a corporate shareholder	2,582	-	2,582	-
Amount due to an associate (non-trade)	2,487	2,487	-	-
	<u>698,695</u>	<u>675,954</u>	<u>34,920</u>	<u>121,463</u>

Trade payables are non-interest bearing and are normally settled on 60 (2013: 60) days' terms.

The bills payable to banks and commercial companies are secured by certain bank balances of the Group amounting to RMB 219,106,000 (2013: RMB 152,320,000), have maturity of between one and nine (2013: one and six) months, and interest rates are between 0.39% and 2.55% (2013: 2.85% and 3%).

Provision relates to compensation expenses provided as disclosed in Note 29.

Other payables comprise RMB 7,263,000 (2013: RMB 6,438,000) for the acquisition of property, plant and equipment.

The non-trade amounts due to subsidiaries and an associate are unsecured, interest-free and repayable on demand.

The amount due to a corporate shareholder is unsecured, interest-free and repayable on demand.

The currency profiles of the Group's and the Company's trade and other payables as at 31 December are as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Renminbi	691,387	660,765	27,443	21,227
Singapore dollar	7,308	14,858	7,344	16,591
Hong Kong dollar	-	-	40	-
United States dollar	-	331	93	83,645
	<u>698,695</u>	<u>675,954</u>	<u>34,920</u>	<u>121,463</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

27. Operating lease commitments

The Group has operating lease commitments with respect to the rental of production, office, storage and dormitory facilities. These leases have an average tenure of between one and five years and certain of these leases have options for renewal. There are no restrictions placed upon the Group by entering into these leases.

At the end of the financial year, commitments in respect of non-cancellable operating leases are as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Future minimum lease payments payable:				
Within one year	1,195	1,237	185	226
After one year but within five years	<u>581</u>	<u>993</u>	<u>-</u>	<u>207</u>
	<u>1,776</u>	<u>2,230</u>	<u>185</u>	<u>433</u>

28. Capital commitments

	<u>Group</u>	
	<u>2014</u>	<u>2013</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Capital expenditures contracted but not provided for		
- Commitments for the acquisition of plant and equipment	243	1,350
- Commitments for the construction of buildings	9,967	12,075
- Commitments for the acquisition of land use right	<u>-</u>	<u>19,700</u>
	<u>10,210</u>	<u>33,125</u>

29. Significant related party transactions

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Company if that person:
- (i) Has control or joint control over the Company;
 - (ii) Has significant influence over the Company; or
 - (iii) Is a member of the key management personnel of the Group or the Company or of a parent of the Company.
- (b) An entity is related to the Company if any of the following conditions applies:
- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company is itself such a plan, the sponsoring employers are also related to the Company.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

29. Significant related party transactions (Continued)

Associates are related parties and include those that are associates of the Company and its subsidiaries.

Many of the Group's and the Company's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

During the financial year, in addition to those disclosed elsewhere in these financial statements, the Group and the Company entered into the following significant transactions with related parties on terms agreed between the related parties:

	<u>2014</u> RMB'000	<u>Group</u> <u>2013</u> RMB'000
Sale of goods to an associate	188	856
Loan from a corporate shareholder	2,582	-
Royalty income from licence of trademark to a related party	-	100

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group.

Key management personnel remuneration

	<u>2014</u> RMB'000	<u>Group</u> <u>2013</u> RMB'000
Directors' fees	1,185	1,633
Directors' remuneration other than fees		
- Salaries, bonuses and other short-term benefits	1,739	2,145
- Contributions to defined contribution plans	47	52
Key management personnel (other than directors)		
- Salaries, bonuses and other short-term benefits	1,398	980
- Contributions to defined contribution plans	47	60
	4,416	4,870

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

30. Segment information

The Group is organised into operating segments based on its products and services and has three reportable operating segments as follows:

- (a) The plastic pipe segment is involved in the design, manufacture, distribution and installation of plastic pipes and pipe fittings for use in various types of piping systems and networks. This reportable segment has been formed by aggregating the water supply, drainage and sewerage, telecommunication and electrical, water-saving irrigation and fuel gas operating segments which are regarded by management to exhibit similar economic characteristics.
- (b) The corporate segment is involved in Group-level corporate services.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the tables below, is measured differently from operating profit or loss in the consolidated financial statements.

Segment assets and liabilities are not disclosed as they are not regularly provided to the chief operating decision maker.

The accounting policy for recognising construction contract revenue is stated in Note 2.18.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

30. Segment information (Continued)

Group	Plastic pipe RMB'000	Corporate RMB'000	Per consolidated financial statements RMB'000
2014			
Revenue			
External customers	797,500	-	797,500
Results			
Amortisation of deferred capital grants	480	-	480
Amortisation of deferred income relating to term loan from a third party	46	-	46
Amortisation of land use rights	(1,976)	-	(1,976)
Depreciation of property, plant and equipment	(33,692)	(11)	(33,703)
Extinguishment of trade and other payables	1,642	-	1,642
Gain on disposal on held-for-trading investments	26	-	26
Government grants and subsidies	3,276	-	3,276
Impairment loss on property, plant and equipment	(7,033)	-	(7,033)
Interest expense	(105,266)	(1,294)	(106,560)
Interest income	3,844	-	3,844
Loss on disposal of property, plant and equipment	803	-	803
Research and development costs	(3,598)	-	(3,598)
Impairment loss on doubtful trade receivables, net	(19,831)	-	(19,831)
Impairment loss on contract receivables	(115,158)	-	(115,158)
Provision on inventories, net	(219)	-	(219)
Write-off of inventories	(6,304)	-	(6,304)
Share of losses of associates	(1,533)	-	(1,533)
Income tax expenses	(2,560)	220	(2,340)
Segment loss	(277,854)	(6,564)	(284,418)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

30. Segment information (Continued)

<u>Group</u>	Plastic pipe RMB'000	Corporate RMB'000	Per consolidated financial statements RMB'000
2013			
Revenue			
External customers	795,120	-	795,120
Results			
Amortisation of deferred capital grants	379	-	379
Amortisation of deferred income relating to term loan from a third party	53	-	53
Amortisation of land use rights	(1,777)	-	(1,777)
Depreciation of property, plant and equipment	(34,997)	(11)	(35,008)
Extinguishment of trade and other payables	100	-	100
Loss on disposal on held-for-trading investments	(17)	-	(17)
Government grants and subsidies	(5,462)	-	(5,462)
Impairment loss on property, plant and equipment	(23,022)	-	(23,022)
Interest expense	(87,454)	(2,197)	(89,651)
Interest income	3,835	-	3,835
Inventories written-off	(866)	-	(866)
Gain on disposal of a subsidiary	785	-	785
Loss on disposal of property, plant and equipment	(3,287)	-	(3,287)
Prepayments written-off	(6,087)	-	(6,087)
Research and development costs	(6,498)	-	(6,498)
Impairment loss on doubtful trade receivables	(13,617)	-	(13,617)
Provision on inventories, net	(6,468)	-	(6,468)
Write-off of inventories	(866)	-	(866)
Share of losses of associates	138	(550)	(412)
Income tax expenses	(4,597)	(5)	(4,602)
Segment loss	(160,847)	(7,198)	(168,045)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

30. Segment information (Continued)

Inter-segment revenue, interest expense, interest income and profit are eliminated on consolidation.

Geographical information

No geographical information is provided as the principal assets employed by the Group are located in the PRC and the Group's revenue and profits are derived primarily from customers in the PRC.

Information about major customers

For the financial years ended 31 December 2014 and 2013, the Group does not have revenue from transactions with major customers that amounted to 10% or more of the Group's revenue.

31. Financial risks management policies and objectives

The Group's activities expose it to credit risk, market risk (comprising foreign currency risk, interest rate risk and equity price risk) and liquidity risk. The Group's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. Management then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, and exposure limits, in accordance with the objectives and underlying principles approved by the Board of Directors.

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

Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group performs on-going credit evaluation of its counterparties' financial condition and generally does not require collateral.

The Group and the Company do not have any significant credit exposure to any single counterparty or any groups of counterparties having similar characteristics except for an amount of RMB 7,210,000 (2013: RMB 15,000,000) owing to the Group by 3 (2013: 1) major customers representing 17.3% (2013: 14.8%) of the Group's trade receivables.

The Group's and Company's major classes of financial assets are bank deposits and trade and other receivables.

Bank deposits are mainly deposits with banks with high credit-ratings assigned by international credit rating agencies.

As at the end of the financial year, there was no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statements of financial position.

Trade and other receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

31. Financial risks management policies and objectives (Continued)

Credit risk (Continued)

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets. No allowance for collective impairment was made based on past experience.

The age analysis of trade receivables past due but not impaired is as follows:

	<u>Group</u>	
	<u>2014</u> RMB'000	<u>2013</u> RMB'000
Past due more than 180 days	<u>23,254</u>	<u>46,996</u>

Based on past experience, the Group believes that no further allowance for impairment is necessary in respect of the trade receivables due to the good track records of the customers.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group does not enter into any derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk, including foreign currency forward contracts to hedge against foreign currency risk and interest rate swaps to mitigate the risk of rising interest rates.

Foreign currency risk

The Group operates predominantly in the PRC and usually transacts in RMB, the official currency in the PRC. The PRC government imposes control over foreign currency. RMB is not freely convertible. Enterprises operating in the PRC can enter into exchange transactions through the People's Bank of China or other authorised financial institutions. Payments for imported materials or services and remittance of earnings of the subsidiaries to the Company, which is outside of the PRC, are subject to the availability of foreign currency which depends on the foreign currency denominated earnings of the enterprises, or exchanges of RMB for foreign currency must be arranged through the People's Bank of China or other authorised financial institutions. Approval for exchanges at the People's Bank of China or other authorised financial institutions is granted to enterprises in the PRC for valid reasons such as purchase of imported materials and remittance of earnings. While conversion of RMB into Singapore dollar or other currencies can generally be effected at the People's Bank of China or other authorised financial institutions, there is no guarantee that it can be effected at all times.

The Group transacts business in various foreign currencies, including Singapore dollar and United States dollar, other than the respective functional currencies of the Group, and hence is exposed to foreign currency risk. There is no formal hedging policy with respect to foreign currency exposure. Exposure to foreign currency risk is monitored on an on-going basis and the Group endeavours to keep the net exposure at an acceptable level. The risk is at times managed by forecasting currency exposures through natural hedges arising from a matching sale, purchase or a matching of assets and liabilities of the same currency and amount.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

31. Financial risks management policies and objectives (Continued)

Market risk (Continued)

Foreign currency risk (Continued)

The carrying amounts of the Group's and Company's foreign currency denominated monetary assets and monetary liabilities at the end of the financial year are as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Monetary assets				
Singapore dollar	156	224	224	305
Hong Kong dollar	1	23,451	-	-
United States dollar	149	86	19,456	19,460
	<u>306</u>	<u>23,761</u>	<u>19,680</u>	<u>19,765</u>
Monetary liabilities				
Singapore dollar	7,308	14,858	7,344	16,591
Hong Kong dollar	-	-	40	-
United States dollar	-	331	93	83,645
	<u>7,308</u>	<u>15,189</u>	<u>7,477</u>	<u>100,236</u>

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a reasonably possible change of 10% (2013: 10%) in Singapore dollar ("SGD") Hong Kong dollar ("HKD") and United States dollar ("USD") against the respective functional currencies of the Group entities, on the Group's loss net of tax and equity. The sensitivity analysis assumes an instantaneous 10% change in the foreign currency exchange rates from the end of the financial year, with all variables held constant.

	<u>Group</u>	
	<u>2014</u>	<u>2013</u>
	RMB'000	RMB'000
SGD		
Strengthens against RMB	(715)	(1,463)
Weakens against RMB	<u>715</u>	<u>1,463</u>
HKD		
Strengthens against RMB	-	2,345
Weakens against RMB	<u>-</u>	<u>(2,345)</u>
USD		
Strengthens against RMB	15	(25)
Weakens against RMB	<u>(15)</u>	<u>25</u>

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk arises primarily from its bank balances and certain borrowing at floating rates. The remaining borrowings are at fixed rates or are interest-free. All other financial assets and liabilities are interest-free.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

31. Financial risks management policies and objectives (Continued)

Market risk (Continued)

Interest rate risk (Continued)

At the end of the financial year, the carrying amounts of the Group's and the Company's interest-bearing financial instruments are as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Fixed rate instruments				
Financial liabilities				
- Borrowings	<u>(636,551)</u>	<u>(606,954)</u>	<u>-</u>	<u>-</u>
Variable rate instruments				
Financial assets				
- Bank balances	<u>245,908</u>	<u>259,208</u>	<u>72</u>	<u>129</u>

Interest on financial instruments subject to floating rates is repriced regularly. Interest on financial instruments at fixed rates is fixed until the maturity of the instruments. The other financial instruments of the Group and the Company that are not included in the above tables are not subject to interest rate risk.

The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.

Cash flow sensitivity analysis for variable rate instruments

At the end of the financial year, if interest rates had been 3% (2013: 3%) higher/lower with all other variables held constant, the Group's loss net of tax and equity would have been RMB 736,000 (2013: RMB 776,000 higher/lower), arising mainly as a result of higher/lower interest income from floating rate bank balances, partially offset by higher/lower interest expenses from floating rate bank loans.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

31. Financial risks management policies and objectives (Continued)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortages of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of loans and borrowings.

The following table details the Group's remaining contractual maturity for its non-derivative financial instruments. The table has been drawn up based on undiscounted cash flows of financial instruments based on the earlier of the contractual date or when the Group is expected to receive or pay. The table includes both interest and principal cash flows.

<u>Group</u>	<u>Within 1 year RMB'000</u>	<u>1 to 5 years RMB'000</u>	<u>Total RMB'000</u>
2014			
<u>Financial assets</u>			
Trade and other receivables	119,161	-	119,161
Cash and bank balances	18,523	-	18,523
Bank balances pledged	227,558	-	227,558
	<u>365,242</u>	<u>-</u>	<u>365,242</u>
<u>Financial liabilities</u>			
Trade and other payables	698,695	-	698,695
Borrowings	544,281	126,967	671,248
	<u>1,242,976</u>	<u>126,967</u>	<u>1,369,943</u>
Total net financial liabilities	<u>(877,734)</u>	<u>(126,967)</u>	<u>(1,004,701)</u>
2013			
<u>Financial assets</u>			
Trade and other receivables	323,392	-	323,392
Cash and bank balances	93,206	-	93,206
Bank balances pledged	167,023	-	167,023
	<u>583,621</u>	<u>-</u>	<u>583,621</u>
<u>Financial liabilities</u>			
Trade and other payables	675,954	-	675,954
Borrowings	525,862	114,495	640,357
	<u>1,201,816</u>	<u>114,495</u>	<u>1,316,311</u>
Total net financial liabilities	<u>(618,195)</u>	<u>(114,495)</u>	<u>(732,690)</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

31. Financial risks management policies and objectives (Continued)

Liquidity risk (Continued)

	<u>Within 1 year</u> RMB'000	<u>1 to 5 years</u> RMB'000	<u>Total</u> RMB'000
Company			
2014			
<u>Financial assets</u>			
Trade and other receivables	19,676	-	19,676
Cash and bank balances	95	-	95
	<u>19,771</u>	<u>-</u>	<u>19,771</u>
<u>Financial liabilities</u>			
Trade and other payables	34,920	-	34,920
Borrowings	34,697	-	34,697
	<u>69,617</u>	<u>-</u>	<u>69,617</u>
Total net financial liabilities	<u>(49,846)</u>	<u>-</u>	<u>(49,846)</u>
2013			
<u>Financial assets</u>			
Trade and other receivables	19,612	-	19,612
Cash and bank balances	153	-	153
	<u>19,765</u>	<u>-</u>	<u>19,765</u>
<u>Financial liabilities</u>			
Trade and other payables	121,463	-	121,463
Borrowings	-	33,403	33,403
	<u>121,463</u>	<u>33,403</u>	<u>154,866</u>
Total net financial liabilities	<u>(101,698)</u>	<u>(33,403)</u>	<u>(135,101)</u>

The Group's operations are financed mainly through borrowings. The Group monitors and maintains a level of cash and bank balances deemed adequate by management to finance its operations and mitigate the effect of fluctuations in cash flows. In addition, adequate lines of credits are maintained to ensure the necessary liquidity is available when required.

The repayment terms of the borrowings are disclosed in Note 24 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

32. Fair value of financial assets and financial liabilities

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

Fair value of financial instruments that are carried at fair value

The fair values of applicable financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities with standard terms and conditions and which trade in active liquid markets are determined with reference to quoted market prices (Level 1 of fair value hierarchy);
- in the absence of quoted market prices, the fair values of the other financial assets and financial liabilities (excluding derivative instruments) are determined using the other observable inputs such as quoted prices for similar assets/liabilities in active markets, quoted prices for identical or similar assets/liabilities in non-active markets or inputs other than quoted prices that are observable for the asset or liability (Level 2 of fair value hierarchy).
- in the absence of observable inputs, the fair values of the remaining financial assets and financial liabilities (excluding derivatives instruments) are determined in accordance with generally accepted pricing models (Level 3 of fair value hierarchy).
- the fair value of derivative instruments are calculated using quoted prices (Level 1 of fair value hierarchy). Where such prices are unavailable, discounted cash flow analysis is used, based on the applicable yield curve of the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives (Level 3 of fair hierarchy).

	Group	
	2014	2013
	RMB'000	RMB'000
Level 1		
Assets		
Held-for-trading investments		
- Quoted equity securities	-	500

Determination of fair value

The fair value of the quoted equity securities is determined by direct reference to their bid price quotations in an active market at the end of the financial year.

Fair value of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Management has determined that the carrying amounts of trade and other receivables, cash and bank balances, trade and other payables, and current portion of borrowings, based on their notional amounts, reasonably approximate their fair values because these are mostly short-term in nature or are repriced frequently.

Management considers that the carrying amounts of the non-current portion of the term loan from a third party and the liability component of the convertible loans recorded at amortised cost approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

33. Capital management policies and objectives

The Group's Chief Financial Officer ("CFO") oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures and reports to the Group's Audit Committee.

It is the Group's policy that where assessed necessary by the local management, the Group would engage experts to perform significant financial reporting valuations. The CFO is responsible for selecting and engaging such external experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and FRS 113 fair value measurement guidance.

He also reviews at least on an annual basis, the appropriateness of the valuation methodologies and assumptions adopted and evaluates the appropriateness and reliability of the inputs (including those developed internally by the Group) used in the valuations.

The analysis and results of the external valuations are then reported to the Audit Committee for the latter's comments before presenting the results to the Board of Directors for approval.

During the financial year, there is no change in the applicable valuation techniques.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. There were no changes in the Group's approach to capital management during the financial year.

As disclosed in Note 23, the PRC subsidiaries are required by the PRC accounting rules and regulations to contribute to and maintain certain types of reserves whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by all the PRC subsidiaries for the financial years ended 31 December 2014 and 2013.

Management monitors the return on capital, which the Group defines as net profit attributable to owners of the Company divided by equity attributable to owners of the Company. The Group funds its operations and growth through a mix of equity and debts. This includes maintaining adequate lines of credit and assessing the need of raise additional equity where necessary. Gearing ratio is calculated as net debt divided by total capital plus net debt. Net debt is calculated as borrowings plus trade and other payables less unpledged cash and bank balances. Total capital is calculated as equity attributable to owners of the Company less the above-mentioned restricted reserves.

The Group is in compliance with externally imposed capital requirements for the financial years ended 31 December 2014 and 2013.

The review of the Group's capital risk management policies and objectives is conducted by the Audit Committee and the Board of Directors.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

33. Capital management policies and objectives (Continued)

	Group	
	2014	2013
	RMB'000	RMB'000
Borrowings	671,248	640,357
Trade and other payables	698,695	675,954
Total debt	1,369,943	1,316,311
Less: Cash and bank balances	(18,523)	(93,206)
Net debt	1,351,420	1,223,105
Equity attributable to owners of the Company	(504,558)	(224,257)
Less: Restricted reserves	(26,358)	(26,414)
Total deficit	(530,916)	(250,671)
Total capital and net debt	820,504	972,434
Gearing ratio	N.M	N.M

N.M.: Not meaningful

STATISTICS OF SHAREHOLDINGS

AS AT 13 MAY 2015

Issued and fully paid-up capital	: S\$62,452,854.60
Number of shares	: 287,594,900
Class of shares	: Ordinary shares
Voting rights	: One vote per ordinary share

TREASURY SHARES

The Company does not hold any treasury shares.

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	1	0.11	93	0.00
100 - 1,000	28	3.23	27,224	0.01
1,001 - 10,000	277	31.91	1,980,000	0.69
10,001 - 1,000,000	535	61.64	43,807,830	15.23
1,000,001 AND ABOVE	27	3.11	241,779,753	84.07
TOTAL	868	100.00	287,594,900	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	FAITH START HOLDINGS LIMITED	47,500,000	16.52
2	CITIBANK NOMINEES SINGAPORE PTE LTD	45,942,895	15.97
3	HL BANK NOMINEES (SINGAPORE) PTE LTD	37,142,500	12.91
4	RHB SECURITIES SINGAPORE PTE. LTD.	18,924,000	6.58
5	DBS NOMINEES (PRIVATE) LIMITED	15,350,497	5.34
6	CROWN GALAXY HOLDINGS LIMITED	15,000,000	5.22
7	OCBC SECURITIES PRIVATE LIMITED	12,829,000	4.46
8	DB NOMINEES (SINGAPORE) PTE LTD	7,298,200	2.54
9	REBECCA THE	5,477,000	1.90
10	RAFFLES NOMINEES (PTE) LIMITED	4,587,000	1.59
11	TTH CAPITAL PTE LTD	3,000,000	1.04
12	SINGAPORE ENTERPRISES PTE LTD	2,595,000	0.90
13	CHOO CHEE KIONG	2,500,000	0.87
14	CHOY PENG HA	2,460,000	0.86
15	HSBC (SINGAPORE) NOMINEES PTE LTD	2,437,160	0.85
16	WONG FOO HONG	2,205,000	0.77
17	BOON SUAN AIK	2,192,000	0.76
18	KOH PANG KIN	1,987,000	0.69
19	YIM WING CHEONG	1,790,000	0.62
20	TOMORROW PTE LTD	1,700,000	0.59
TOTAL		232,917,252	80.98

STATISTICS OF SHAREHOLDINGS

AS AT 13 MAY 2015

SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	Direct Interest	%	Deemed Interest	%
FAITH START HOLDINGS LIMITED	47,500,000	16.52	—	—
WANG SEN ⁽¹⁾	—	—	47,500,000	16.52
KUSNADI LYBIANTO ⁽⁷⁾	29,401,660	10.22	—	—
TOMMY LYBIANTO ⁽²⁾	—	—	29,401,660	10.22
LOYAL TEAM GROUP LIMITED ⁽³⁾	—	—	40,079,895	13.94
CHEN ZHIZHONG ⁽⁴⁾	—	—	40,079,895	13.94
CHEN QUE ⁽⁴⁾	—	—	40,079,895	13.94
TRIUMPUS CAPITAL LTD	22,969,000	7.99	—	—
PU WEI DONG ⁽⁵⁾	—	—	23,029,000	8.01
CROWN GALAXY HOLDINGS LIMITED	15,000,000	5.22	—	—
JIANG PING ⁽⁶⁾	—	—	15,000,000	5.22

Notes:

- (1) Mr Wang Sen is deemed to be interested in the 47,500,000 shares held by Faith Start Holdings Limited by virtue of section 7(4A) of the Companies Act, Cap. 50 (the "Act").
- (2) Mr Tommy Lybianto is deemed to be interested in 29,401,600 shares held by his father, Mr Kusnadi Lybianto by virtue of Section 4(1) of the Securities and Futures Act, Chapter 289.
- (3) Loyal Team Group Limited is deemed to be interested in the 40,079,895 shares held in trust by Citicorp Investment Bank (Singapore) Ltd. Information on interests in shares of the Company reflected herein is based on the latest notification form for substantial shareholders in respect of interests in securities dated 17 August 2011 received by the Company; and the known dilutive effect of the conversion of the convertible loan into shares of 32,500,000 issued and paid up shares in the Company, which were allotted and issued on 26 July 2012. The Company has not received any further notification from Loyal Team Group Limited of any change in interest further to 17 August 2011.
- (4) Mr Chen Zhizhong and Mr Chen Que are deemed to be interested in the 40,079,895 shares held in trust by Citicorp Investment Bank (Singapore) Ltd for Loyal Team Group Limited by virtue of their respective shareholdings in Loyal Team Group Limited. Information on interests in shares of the Company reflected herein is based on the latest notification form for substantial shareholders in respect of interests in securities dated 17 August 2011 received by the Company; and the known dilutive effect of the conversion of the convertible loan into shares of 32,500,000 issued and paid up shares in the Company, which were allotted and issued on 26 July 2012. The Company has not received any further notification from Mr Chen Que of any change in interest further to 17 August 2011.
- (5) Mr Pu Wei Dong is deemed to be interested in the 22,969,000 shares held by Triumpus Capital Ltd by virtue of section 7(4A) of the Act. Mr Pu Wei Dong is also deemed to be interested in the 60,000 shares held by his wife, Ms Zhu Jin Yan, by virtue of section 164(15)(a) of the Act.
- (6) Mr Jiang Ping is deemed to be interested in the 15,000,000 shares held by Crown Galaxy Holdings Limited by virtue of section 7(4A) of the Act.
- (7) Information on interest in shares of the Company reflected therein is based on the latest notification form for substantial shareholders in respect of interest in securities dated 30 September 2011 received by the Company; and the known dilutive effect of the conversion of the convertible loan into shares of 32,500,000 issued and paid up shares in the Company, which were allotted and issued on 26 July 2012. The Company has not received any further notification from Mr Kusnadi Lybianto of any change in interest further to 30 September 2011.

PERCENTAGE OF SHAREHOLDING IN THE HANDS OF PUBLIC

Based on information available to the Company as at 13 May 2015, approximately 46.00% of the issued ordinary shares of the Company are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

NOTICE OF ELEVENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eleventh Annual General Meeting of the Company will be held at 16 Ayer Rajah Crescent #03-06 Singapore 139965, on Tuesday, 9 June 2015 at 10.30 a.m., for the purpose of transacting the following business:

ORDINARY BUSINESS

- | | | |
|----|---|---------------------|
| 1. | To receive, consider and adopt the Audited Financial Statements for the financial year ended 31 December 2014 and the Report of the Directors and the Auditors' Report thereon. | Resolution 1 |
| 2. | To approve Directors' fees of S\$235,000 for the financial year ending 31 December 2015. (2014: S\$275,000) | Resolution 2 |
| 3. | To re-elect Mr Soh Beng Tiong retiring by rotation pursuant to Article 107 of the Company's Articles of Association.
<i>(See Explanatory Note)</i> | Resolution 3 |
| 4. | To re-elect Mr Tommy Lybianto retiring by rotation pursuant to Article 107 of the Company's Articles of Association. | Resolution 4 |
| 5. | To re-appoint Messrs Mazars LLP as Auditors and to authorise the Directors to fix their remuneration. | Resolution 5 |
| 6. | To transact any other business that may be properly transacted at the Annual General Meeting of the Company. | |

SPECIAL BUSINESS

To consider and, if thought fit, to pass, with or without modifications, the following Ordinary Resolution:

- | | | |
|-----|---|---------------------|
| 7. | THAT pursuant to Section 161 of the Companies Act (Chapter 50) and in accordance with the listing rules of Singapore Exchange Securities Trading Limited (" SGX-ST "), authority be and is hereby given to the Directors to: | Resolution 6 |
| (a) | (i) allot and issue shares in the capital of the Company (" shares ") whether by way of rights, bonus or otherwise; and/or | |
| | (ii) make or grant offers, agreements or options (collectively " Instruments ") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares, | |
| | at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion, deem fit; and | |
| (b) | (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force, | |

NOTICE OF ELEVENTH ANNUAL GENERAL MEETING

PROVIDED THAT:

- (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed twenty per cent (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Resolution is passed, after adjusting for:
 - (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
 - (ii) any subsequent bonus issue or consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and
- (4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.
(See Explanatory Note)

BY ORDER OF THE BOARD

Dr. Pu Weidong
Chief Executive Officer and Executive Director

Singapore
23 May 2015

NOTICE OF ELEVENTH ANNUAL GENERAL MEETING

Explanatory Notes:

Resolution 3

Mr Soh Beng Tiong, Chairman of the Remuneration Committee and a member of the Audit Committee and a member of Nominating Committee, will continue to serve in these capacities if re-elected as a Director of the Company, and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Resolution 6

Resolution no. 6, if passed, will empower the Directors of the Company to issue shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding in total fifty per cent (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company, with a sub-limit of twenty per cent (20%) for issues other than on a *pro rata* basis to shareholders. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this resolution is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this resolution is passed, and (b) any subsequent bonus issue or consolidation or subdivision of shares.

Notes:

- (1) A member of the Company entitled to attend and vote at the Eleventh Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. Where a member appoints more than one proxy, he shall specify the proportion of his shareholdings to be represented by each proxy. A proxy need not be a member of the Company.
- (2) The instrument appointing the proxy must be deposited at the registered office of the Company at 80 Raffles Place, #32-01 UOB Plaza 1, Singapore 048624, not less than 48 hours before the time set for holding the meeting.

SINOPIPE HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 200411382N)

IMPORTANT

1. For investors who have used their CPF moneys to buy ordinary shares in the capital of Sinopipe Holdings Limited, this 2014 Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM – ELEVENTH ANNUAL GENERAL MEETING

I/We, _____ NRIC/ Passport/ Co. Reg. No. _____

of _____ (Address)

being a member/members of SINOPIPE HOLDINGS LIMITED (the “Company”) hereby appoint

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings (%)

and/or failing him/her (delete as appropriate)

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or failing him/her, the Chairman of the Eleventh Annual General Meeting (“AGM”) of the Company as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll at the AGM of the Company to be held at 16 Ayer Rajah Crescent #03-06 Singapore 139965, on Tuesday, 9 June 2015 at 10.30 a.m., and at any adjournment thereof.

(Please indicate with an “X” in the spaces provided whether you wish your vote(s) to be cast for or against the resolutions as set out in the Notice of the AGM. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the AGM).

Ordinary Resolutions	For	Against
Ordinary Business		
1. To receive, consider and adopt the Audited Financial Statements for the financial year ended 31 December 2014 and the Report of the Directors and the Auditors’ Report thereon.		
2. To approve Directors’ fees of S\$235,000 for the financial year ending 31 December 2015. (2014: S\$275,000)		
3. To re-elect Mr Soh Beng Tiong, who is retiring by rotation pursuant to Article 107 of the Company’s Articles of Association.		
4. To re-elect Mr Tommy Lybianto, who is retiring by rotation pursuant to Article 107 of the Company’s Articles of Association.		
5. To re-appoint Messrs Mazars LLP as Auditors and to authorise the Directors to fix their remuneration.		
Special Business		
6. To authorise the Directors to allot/issue new shares.		

Dated this _____ day of _____ 2015.

Total number of Shares Held

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Signature(s) or Common Seal of Member

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and shares registered in your name in the Register of members.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
3. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 80 Raffles Place #32-01 UOB Plaza 1 Singapore 048624, not less than 48 hours before the time appointed for the holding of the meeting.
4. Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy. If no such proportion or number is specified the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named proxy.
5. The instrument appointing a proxy or proxies must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be either under its seal or under the hand of its attorney duly authorised. Where the instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
6. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Cap. 50.
7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument appointing a proxy or proxies. In addition, in the case of members whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 48 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.



Company Registration Number: 200411382N

Principal Places of Business:
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The People's Republic of China
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Singapore 139965
Telephone: +65 6223 8230
Facsimile: +65 6223 8279

Website: www.sinopipe.com.sg