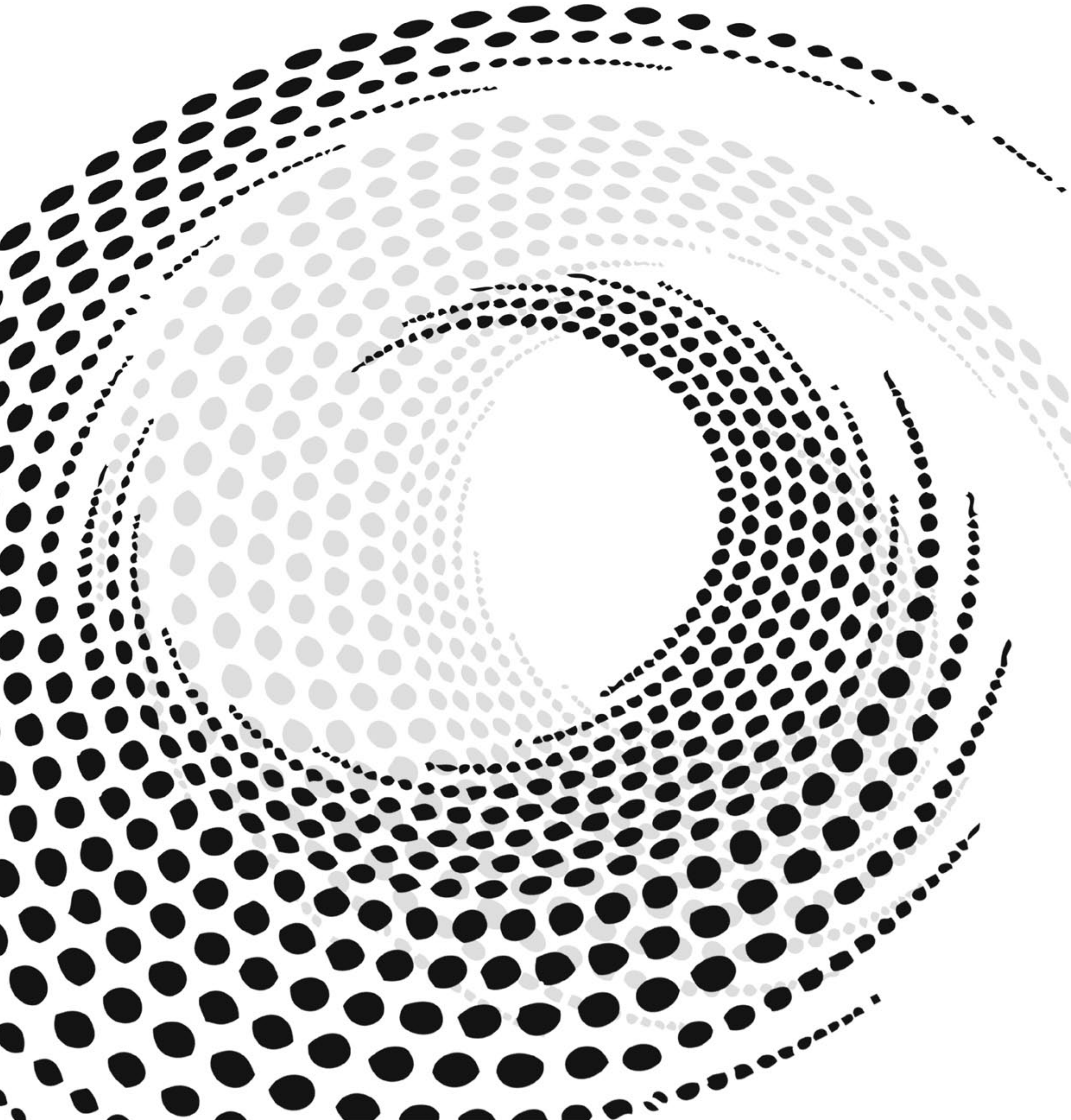
SINOPIPE HOLDINGS LIMITED
中国管业控股有限公司

# ANNUAL REPORT 2018



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# CORPORATE PROFILE

On 30 April 2018, the Company completed the disposal of its operating subsidiaries and associated companies in the People's Republic of China to Fujian Yatong Construction Material Limited for a consideration of RMB 10 million (the "Disposal"). Following the completion of the Disposal, the Company became a cash company under Rule 1018 of the Listing Manual.

Following the Disposal and the Company is deemed a cash company, the Board has been exploring and considering various options for acquisition of new business. On 20 February 2019, the Company entered into a Memorandum of Understanding with Mr Song Jianjun, an independent third party (the "Vendor") in relation to the proposed acquisition of 100% of the registered capital of Shanxi Bibenet Information Technology Co., Ltd (the "Proposed Acquisition"). The Proposed Acquisition, if undertaken and completed, is expected to result in a very substantial acquisition or a reverse takeover of the Company as defined under Chapter 10 of the SGX-ST Listing Manual. The Company and the Vendor have been undertaking further work on the Proposed Acquisition.

# LETTER TO SHAREHOLDERS

## DEAR SHAREHOLDERS

On behalf of the Board of Directors ("the Board") of Sinopipe Holdings Limited (the "Company") and its subsidiaries (the "Group"), I am pleased to present to you the annual report for the financial year ended 31 December 2018 ("FY2018").

### 2018 highlights

During the financial year, the Group completed the disposal of its operating subsidiaries in the PRC to Fujian Yatong Construction Material Limited for a consideration of RMB10 million on 30 April 2018 (the "Disposal"). Following the Disposal, the Company is deemed to be a cash company. Other income of RMB528,000 was recorded in FY2018 mainly due to reversal of withholding tax provided in the prior year amounted to RMB373,000 and waiver of loans under the sale and purchase agreement for the Disposal amounted to RMB143,000. Administrative expenses of RMB2.2 million recorded in FY2018 were mainly staff costs, compliance costs, general and office expenses. For the discontinued operations, the Group recognised disposal gain of RMB911.7 million and operating loss of RMB 7.8 million resulting in a net gain of RMB 904 million. Overall, the Group reported net income of RMB902.3 million for FY2018 as compared to net loss of RMB38.3 million for FY2017.

The assets of the Group and Company comprise mainly cash and cash equivalent and receivable due from the disposal of China assets. On the other hand, current liabilities comprise Group's total payables of RMB 7.8 million, which were mainly accurals of professional fees and director fees and amount due to a shareholder.

### Potential Acquisition of business and assets

On 20 February 2019, the Company entered into a memorandum of understanding (the "MOU") with Song Jianjun, an independent third party (the "Vendor") in relation to the proposed acquisition of 100% of the registered capital of Shanxi Bibenet Information Technology Co., Ltd (山西比比网络信息技术股份有限公司) (the "Proposed Acquisition"). The Proposed Acquisition, if undertaken and completed, is expected to result in a "very substantial acquisition" or a "reverse takeover" of the Company as defined under Chapter 10 of the Listing Manual of the Singapore Exchange Securities Trading Limited. Since signing of the MOU, the Company and the Vendor have been undertaking further work on the Proposed Acquisition.

### Appreciation

I wish to express my gratitude to the Board, and all Shareholders for their understanding and support during the year.

In particular, I would like to take this opportunity to thank my two Independent Directors for their commitment, counsel and contributions to the Company.

Thank you.

**Wang Sen**
*Non-Executive Chairman*

# OPERATIONS & FINANCIAL REVIEW

## FINANCIAL PERFORMANCE

### Continuing operations

Other income increased to RMB528,000 in FY2018 from RMB8,000 in FY2017 mainly due to the reversal of withholding tax of RMB 373,000 provided in prior year and waiver of loan of RMB 143,000 under the Sale and Purchase Agreement for the Disposal.

Other expenses of RMB20,000 recorded in FY2018 comprised mainly office equipment written-off of RMB13,000 and allowance for doubtful receivables of RMB7,000.

Administrative expenses decreased to RMB2.2 million in FY2018 from RMB2.6 million in FY2017.

### Discontinued operations

The Group disposed of the plastic pipe operations on 30 April 2018. Therefore, comparison of the current year operating results with prior full year operating results from discontinued operations is not meaningful. Net income of RMB904.5 million including the disposal gain of RMB911.7 million from the Disposal was reported for FY2018.

### Net results

As a result of the above, the Group recorded net income of RMB902.3 million for FY2018 as compared to net loss of RMB 38.3 million for FY2017.

## FINANCIAL POSITION

### Current assets

As at 31 December 2018, the assets of the Group and Company comprised mainly cash and cash equivalent of approximately RMB 1.5 million and other receivables of RMB 3.2 million of which RMB 3.1 million was amount receivable under the disposal of China assets.

### Current liabilities

Trade and other payable of RMB 7.8 million were mainly accruals of professional and director fees and amount due to a shareholder.

## CASH FLOWS

The Group registered a net cash decrease in FY2018 mainly due to the net cash outflow of RMB2.9 million arising from disposal of subsidiaries.

As at 31 December 2018, the Group had cash and cash equivalents of RMB 1.5 million.

# BOARD OF DIRECTORS

### Mr Wang Sen

Mr Wang is the Company's Non-Executive Chairman. He was appointed as a Director of the Company on 22 September 2012. Mr Wang is a member of the Audit Committee and Nominating Committee. He 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 24 November 2017.

### 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 the 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 35 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. Mr Chew was a Member of Parliament from 1984 to 2006 and a former Deputy Speaker of the Singapore Parliament. Mr Chew was last re-elected on 24 November 2017.

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 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 has been involved in operational and financial management of manufacturing, agriculture and real estate development for the past 40 years. Mr Soh was last re-elected on 26 June 2018.

# CORPORATE INFORMATION

**Board of Directors**

**Wang Sen**
*(Non-Executive Chairman)*

**Chew Heng Ching**
*(Deputy Non-Executive Chairman and Independent Director)*

**Soh Beng Tiong**
*(Independent 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**

16 Ayer Rajah Crescent
#07-04
Singapore 139965
Telephone: +65 6223 8230
Facsimile: +65 6223 8279

**Company Registration Number**

200411382N

**Share Registrar**

RHT Corporate Advisory Pte. Ltd.
9 Raffles Place
#29-01 Republic Plaza Tower 1
Singapore 048619

**Auditors**

Mazars LLP
135 Cecil Street #10-01
MYP Plaza
Singapore 069536

Partner-in-charge: Tan Chee Tyan
(with effect from financial year 2016)

**Principal Banker**

HL Bank
1 Wallich Street
#29-01 Guoco Tower
Singapore 078881

# 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 2018 ("FY2018"), 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.

On 6 August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance (the "2018 Code") and accompanying Practice Guidance. The 2018 Code supersedes and replaces the Code and will apply to Annual Reports covering financial years commencing from 1 January 2019. The Group will review and set out the corporate practices in place to comply with the 2018 Code, where appropriate, in the next Annual Report.

**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 financial statements; and

8. considering sustainability issues as part of its strategic formulation in line with the recommendation of the 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).

The Board is scheduled to meet at least four times a year and as and when warranted by circumstances. The Company's Constitution 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 FY2018 and the attendance of the Directors (who were in office in FY2018) are set out in the table below:

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

| | Board Meeting* | | Audit Committee Meeting* | | Nominating Committee Meeting* | | Remuneration Committee Meeting* | |
|---|---|---|---|---|---|---|---|---|
| **Name of Director** | **Held** | **Attended** | **Held** | **Attended** | **Held** | **Attended** | **Held** | **Attended** |
| Chew Heng Ching | 4 | 4 | 4 | 4 | 1 | 1 | 1 | 1 |
| Soh Beng Tiong | 4 | 4 | 4 | 4 | 1 | 1 | 1 | 1 |
| Wang Sen | 4 | 2 | 3 | 2 | 1 | 0 | N/A | N/A |
| Tommy Lybianto(1) | 1 | 1 | 1 | 1 | N/A | N/A | N/A | N/A |

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

(1) Tommy Lybianto resigned as Non-Executive Director and member of the Audit Committee on 28 February 2018.

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. 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 funded by the Company. For first-time directors, the Company will also arrange and fund the training in area such as accounting, legal and industry-specific knowledge as appropriate for them.

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. They will be given an orientation program to familiarise themselves with the Company's operations.

**Principle 2 : Board Composition and Guidance**

For the period from 1 March 2018 to present, the Board consists of three (3) Directors of whom two (2) are independent.

The list of Directors is as follows:

| | |
|---|---|
| Wang Sen | (Non-Executive and Non-Independent) |
| Chew Heng Ching | (Non-Executive and Independent) |
| Soh Beng Tiong | (Non-Executive and Independent) |

The Board has examined its size and is of the view that the current board size is appropriate for effective decision-making, taking into account the scope and nature of the operations of the Company and the core competencies and experience of its members.

The profile of the Directors is found on page 4 of this Annual Report.

The 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 Company's Chairman, Mr. Wang Sen, is a Non-independent Director. In FY2018, at least half of the Board comprised independent directors.

Accordingly, the Board is satisfied that there is an adequate element of independent presence in the Board, as the numbers of independent directors make up half of the whole Board. To facilitate a more effective check on the Management, Non-Executive Directors are encouraged to meet regularly without the presence of the Management. Where necessary, the Independent Directors will meet without the presence of the other non-Independent Directors, and feedback will be provided to the Chairman after such meetings if necessary.

The Board consists of individuals from different backgrounds whose core competencies, qualifications, skills and experience include mainly 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.

Under the guidelines of the Code 4.5, Boards should generally avoid approving the appointment of alternate directors. Alternate directors should only be appointed for limited periods in exceptional cases such as when a director has a medical emergency. If an alternate director is appointed, the alternate director should be familiar with the company affairs, and be appropriately qualified. If a person is proposed to be appointed as an alternate director to an independent director, the NC and the Board should review and conclude that the person would similarly qualify as an independent director, before his appointment as an alternate director. Alternate directors bear all the duties and responsibilities of a director. Currently, there is no alternate director on the Board.

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

The Chairman is Mr. Wang Sen and he was appointed as the Chief Executive Officer ("CEO') of the Company on 6 August 2016 until 28 February 2018 following the signing of the Sale and Purchase Agreement disposing of all the Group's operating subsidiaries. While Mr Wang was the CEO of the Company, he was primarily responsible for the overall management, strategic planning and business development of the Group. As the Chairman, he 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.

The Chairman is assisted by a Deputy Chairman, Mr. Chew Heng Ching, who is an Independent Director. Mr Chew was appointed as the Lead Independent Director pursuant to the recommendations of the Code where the Chairman is not an independent director and/or the Chairman and CEO was the same person.

The Board notes the Code's recommendation for the independent directors to make up at least half of the Board where the Chairman and CEO is the same person. When the Chairman, Mr. Wang Sen, was also the CEO of the Company from 6 August 2016 to 28 February 2018, half of the Board was made up of independent directors.

Following the signing of the Sale and Purchase Agreement disposing of all the Group's operating subsidiaries, Mr Wang Sen was re-designated from Chairman, Executive Director and Chief Executive Officer to Non-Executive Chairman and Non-Executive Director on 28 February 2018. With no significant business activities, the Board is of the view that the Company does not need a CEO.

**Principle 4 : Board Membership**
**Principle 5 : Board Performance**

The members of the NC are as follows:

| | |
|---|---|
| Chew Heng Ching | (Chairman) |
| Soh Beng Tiong | (Member) |
| Wang Sen | (Member) |

In FY2018, the NC is made up of three Non-Executive Directors, a majority of them including 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 (taking into account the circumstances set out in the Code and other salient factors); 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 Constitution, all Directors are required to submit themselves for re-election at least once every three years.

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.

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.

For interim financial statements, the Board provides a negative assurance confirmation to shareholders, in line with Rule 705(5) of the Listing Manual of SGX-ST. In addition, all Directors and key management personnel of the Company also signed a letter of undertaking pursuant to Rule 720(1) of the SGX-ST Listing Manual.

**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) |
| Soh Beng Tiong | (Member) |
| Wang Sen | (Member) |

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;

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. No former partner or director of the Company's existing auditing firm or audit corporation is a member of the AC.

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.

During FY2018, 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 payable to the external auditors for FY2018 is S$35,000 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 acknowledges that it is responsible for the overall internal control framework and fully aware of the need to put in place a system of internal controls within the Group to safeguard shareholders' interests and the Group's assets as well as manage risks. The Board also recognizes that no cost effective 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 Company has appointed Nexia TS Risk Advisory Pte Ltd as its internal auditors. Following the disposal of all the operating subsidiaries in China and having regard to the scope and nature of the Company's current operations as a cash company, no internal audit had been scheduled for FY2018.

The Group's financial risk management is disclosed under Note 26 of the Notes to the financial statements of the Annual Report.

Following the disposal of all the operating subsidiaries in China and based on the internal controls maintained by the Company and having regard to the scope and nature of the Company's current operations as a cash company, the Board with the concurrence of the AC is of the opinion that the Company's internal controls addressing the financial, operational, compliance and information technology risks, and risk management systems are reasonably adequate and effective taken into consideration of the operational and financial situation that the Company currently operates.

## Remuneration Matters

**Principle 7 : Procedures for Developing Remuneration Policies**
**Principle 8 : Level and Mix of Remuneration**
**Principle 9 : Disclosure on Remuneration**

In FY2018, the Remuneration Committee ("RC") comprises the following Directors:

| | |
|---|---|
| Soh Beng Tiong | (Chairman) |
| Chew Heng Ching | (Member) |

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.

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 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.

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.

The RC will consider recommendation by the Code and may recommend the Company to consider the use of contractual provisions to allow the Company to reclaim incentive components of remuneration from the Executive Director and key management personnel in exceptional circumstances of misstatement of financial results, or misconduct resulting in financial loss to the Company.

Taking note of the competitive pressure in the talent market, the Board has, on review, decided not to disclose the remuneration of the Directors and key executives in full.

A breakdown, showing the level and mix (in percentage terms) of each individual Director's remuneration for FY2018 is as follows:

| Name of Director | Base/fixed Salary % | Fees % | Variable or Bonus % | Other Benefits % | Total Remuneration % |
|---|---|---|---|---|---|
| **Below S$250,000** | | | | | |
| Wang Sen | – | 100 | – | – | 100 |
| Chew Heng Ching | – | 100 | – | – | 100 |
| Soh Beng Tiong | – | 100 | – | – | 100 |

Disclosure of the key executives' remuneration in bands of S$250,000 for FY2018 is as follows:

| Name of Key Executive | Salary % | Performance Bonus % | Other Benefits % | Total Remuneration % |
|---|---|---|---|---|
| **Below S$250,000** | | | | |
| Phang Kong Juan | 100 | – | – | 100 |

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 FY2018.

**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.

Draft agendas for Board and Board Committees meetings are circulated in advance to the respective Chairman, in order for them to suggest items for the agenda and/or review the usefulness of the items in the proposed agenda. Quarterly management financial statements and disclosure documents are provided to the Board, where appropriate, prior to the Meetings.

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.

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 shareholders of the Company (other than a shareholder who is a relevant intermediary) may appoint one or two proxies to attend and vote on their behalf at general meetings of the Company. A shareholder who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the general meetings of the Company. 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 FY2018 to preserve cash for operating activities and having considered the Company's current operation as a cash company without business income.

## DEALINGS IN SECURITIES

*(Rule 1207(19) of the Listing Manual)*

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.

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.

# DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2018 and the statement of financial position of the Company as at 31 December 2018.

## 1. Opinion of the directors

In the opinion of the directors,

(i) the consolidated 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 financial position of the Group and of the Company as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date; and

(ii) at the date of this statement there are reasonable grounds to believe that the Group and the Company will be able to pay its debts as and when they fall due as the Group and the Company had successfully completed the disposal of the disposal group held for sale and on the premise that the initiatives to get capital injection into the Group will be successful.

## 2. Directors

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

**Non-Executive director**

Wang Sen

**Independent non-executive directors**

Chew Heng Ching
Soh Beng Tiong

## 3. 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 4 below.

## 4. 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 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** | **Direct interest** | | **Deemed interest** | |
|---|---|---|---|---|
| | **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 |
| Chew Heng Ching | 300,000 | 300,000 | – | – |

The directors' interests as at 21 January 2019 in the shares or debentures of the Company have not changed from those disclosed as at 31 December 2018.

## 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 4 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 2018.

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;

## 6. Audit Committee (Continued)

(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.

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.

On behalf of the directors

| | |
|---|---|
| Wang Sen<br>Director | Chew Heng Ching<br>Director |

Singapore
8 April 2019

# INDEPENDENT AUDITORS' REPORT

To the Members of Sinopipe Holdings Limited

## Report on the Audit of Financial Statements

*Opinion*

We were engaged to audit the accompanying consolidated financial statements of Sinopipe Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") which comprise the statements of financial position of the Group and of the Company as at 31 December 2018, 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 notes to the financial statements, including a summary of significant accounting policies as set on page 23 to 77.

*Bases for Disclaimer of Opinion*

1. Opening balances

   We expressed a disclaimer of opinion in our independent auditors' report dated 6 June 2018 in respect of the financial statements for the financial year ended 31 December 2017 on the following matters, which remain unresolved in the current financial year ended 31 December 2018 as a result of a continued limitation in the scope of our audit consequent to the departure of certain key finance personnel of the Chinese operations and a key management personnel and cessation of certain operations in China in the previous financial years, which resulted in alleged loss of certain accounting records, as well as the inability of management to provide audit evidence to address our audit queries:

   - Appropriateness of the classification and carrying amount of the disposal group held for sale, which was presented as "Assets classified as held for sale" and "Liabilities classified as held for sale" in the statement of financial position as of 31 December 2017, also in consideration of insufficient appropriate audit evidence obtained to satisfy ourselves on (i) the nature, occurrence and completeness of certain unrecorded sale and purchase transactions during the financial year ended 31 December 2013; (ii) the appropriateness of the amounts due from a contract customer, included in trade and other receivables as at 31 December 2014, of carrying amount of RMB115,158,000 for which full impairment has been made during the financial year then ended, in the absence of documentary evidence to support the stage of completion of the corresponding construction contract and the validity of the related cumulative progress billings recorded; (iii) recoverability of the corresponding contract costs incurred till 20 May 2015 and the completeness of any expected loss; (iv) appropriateness of the carrying amounts of various financial statements items, including, and not limited to, cash and bank balances, property, plant and equipment, contract work in progress, provisions as of 31 December 2015; and the amounts of revenue, purchases and expenses recorded during the financial year ended 31 December 2015 consequent to a limitation in scope of our audit then; (v) the appropriateness of the amounts of revenue, purchases, and expenses recorded during the financial years ended 31 December 2016 and 31 December 2017; (vi) the appropriateness of the classification and carrying amount of the disposal group held for sale, which is presented as "Assets classified as held for sale" and "Liabilities classified as held for sale" in the statement of financial position as of 31 December 2016 and 31 December 2017; (vii) the resulting tax implications arising from the aforementioned matters; and (viii) the completeness and appropriateness of the disclosures made in the financial statements.

   - Appropriateness of the amounts of revenue, purchases, and expenses recorded during the financial years ended 31 December 2016 and 31 December 2017, which were presented as "Results from discontinued operations" in the consolidated statement of profit or loss and other comprehensive income consequent to a limitation in scope of our audit, also in consideration of the potential impact arising from the applicable unresolved matters as mentioned above.

*Bases for Disclaimer of Opinion (Continued)*

1. Opening balances (Continued)

   Consequently, we are unable to determine whether the applicable opening balances as at 1 January 2018 are fairly stated. As the opening balances as at 1 January 2018 enter into the determination of the Group's results and cash flows for the financial year ended 31 December 2018, we are unable to determine whether any adjustments are necessary in respect of the financial statements for the financial year ended 31 December 2018, nor the completeness, appropriateness and comparability of the corresponding figures and the related disclosures in the financial statements for the financial year ended 31 December 2018.

Current financial year

2. Limitation of scope

   During the current financial year, the disposal of the Group's China operations was completed and the Group has partially received the disposal consideration from the Purchaser. On 9 July 2018, the Company announced that the Debts Restructuring Manager (the "DRM") appointed by the Intermediate People's Court of Fuzhou in the PRC has stopped the payment of the remaining disposal consideration receivable from the Purchaser as one of the disposed subsidiary, Fujian Atontech's, registered capital was not fully paid up. The Purchaser subsequently informed the Company on 18 February 2019 that the debt restructuring proposal was approved by Fujian Atontech's creditors and the PRC court. The Purchaser represented that the Company could expect to receive the remaining balance within three to four weeks after clearing the relevant legal procedures. On 8 April 2019, the receivable remained outstanding as the Purchaser has yet to obtain approval from the Ministry of Commerce of the PRC.

   Due to the delay in receiving the remaining consideration receivable despite receiving multiple representations from the Purchaser to pay and in the absence of further information and alternative procedures, we were unable to obtain sufficient appropriate audit evidence necessary for us to ascertain the recoverability of the outstanding consideration receivable amounting to RMB3,149,000 as of 31 December 2018.

   Consequently, as of the date of this report, we are unable to determine whether any adjustments or amendments are necessary in respect of the financial statements for the financial year ended 31 December 2018.

*Disclaimer of Opinion*

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

*Responsibilities of Management and Directors for the Financial Statements*

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

*Responsibilities of Management and Directors for the Financial Statements (Continued)*

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

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

*Auditors' Responsibilities for the Audit of the Financial Statements*

Our responsibility is to conduct an audit of the Group and the Company's financial statements in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

## Report on Other Legal and Regulatory Requirements

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Tan Chee Tyan.

**MAZARS LLP**
Public Accountants and
Chartered Accountants

Singapore
8 April 2019

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2018

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | RMB'000 | RMB'000 |
| Revenue | | – | – |
| Cost of sales | | – | – |
| **Gross profit** | | – | – |
| Other income | 4 | 528 | 8 |
| Administrative expenses | | (2,214) | (2,622) |
| Other expenses | 5 | (20) | – |
| **Loss before income tax from continuing operations** | 6 | (1,706) | (2,614) |
| Income tax expense | 7 | – | – |
| Loss from continuing operations attributable to owners of the Company | | (1,706) | (2,614) |
| Loss for the year from discontinued operations attributable to owners of the Company (net of tax) | 8 | (7,767) | (35,660) |
| Gain on disposal of subsidiaries | 8 | 911,741 | – |
| **Profit/(Loss) for the year representing total comprehensive loss for the year** | | 902,268 | (38,274) |
| **Profit/(Loss) attributable to:** | | | |
| ***Continuing operations, net of tax*** | | | |
| - Owners of the Company | | (1,706) | (2,614) |
| ***Discontinued operations, net of tax*** | | | |
| - Owners of the Company | | 904,474 | (34,585) |
| - Non-controlling interests | | (500) | (1,075) |
| | | 903,974 | (35,660) |
| **Profit/(Loss) for the financial year** | | 902,268 | (38,274) |
| **Loss per share from continuing operations (RMB cents)** | | | |
| - Basic and diluted | 9 | (0.59) | (0.91) |
| **Profit/(Loss) per share from discontinued operations (RMB cents)** | | | |
| - Basic and diluted | 8 | 314.50 | (12.03) |

*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 2018

| | Note | Group 2018 RMB'000 | Group 2017 RMB'000 | Company 2018 RMB'000 | Company 2017 RMB'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Land use rights | 10 | – | – | – | – |
| Property, plant and equipment | 11 | 4 | 24 | 4 | 24 |
| Goodwill | 12 | – | – | – | – |
| Investments in subsidiaries | 13 | – | – | – | – |
| Investments in associates | 14 | – | – | – | – |
| **Total non-current assets** | | 4 | 24 | 4 | 24 |
| **Current assets** | | | | | |
| Inventories | 16 | – | – | – | – |
| Trade and other receivables | 17 | 3,171 | 15 | 3,171 | 15 |
| Cash and bank balances | 18 | 1,547 | 3 | 1,547 | 3 |
| | | 4,718 | 18 | 4,718 | 18 |
| Assets of disposal group classified as held-for-sale | 8 | – | 365,194 | – | – |
| **Total current assets** | | 4,718 | 365,212 | 4,718 | 18 |
| **Total assets** | | 4,722 | 365,236 | 4,722 | 42 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity** | | | | | |
| Share capital | 19 | 313,344 | 313,344 | 313,344 | 313,344 |
| Other reserves | 20 | 5,316 | (12 ,063) | 5,316 | 5,316 |
| Accumulated losses | | (321,725) | (1,224,493) | (321,652) | (329,939) |
| **Equity attributable to owners of the Company** | | (3,065) | (923,212) | (2,992) | (11,279) |
| **Non-controlling interests** | | – | (6,574) | – | – |
| **(Capital deficiency)/total equity** | | (3,065) | (929,786) | (2,992) | (11,279) |
| **Non-current liabilities** | | | | | |
| Deferred capital grants | 21 | – | – | – | – |
| Deferred tax liabilities | 15 | – | – | – | – |
| **Total non-current liabilities** | | – | – | – | – |
| **Current liabilities** | | | | | |
| Trade and other payables | 22 | 7,787 | 11,389 | 7,714 | 11,321 |
| | | 7,787 | 11,389 | 7,714 | 11,321 |
| Liabilities of disposal group classified as held-for-sale | 8 | – | 1,283,633 | – | – |
| **Total current liabilities** | | 7,787 | 1,295,022 | 7,714 | 11,321 |
| **Total liabilities** | | 7,787 | 1,295,022 | 7,714 | 11,321 |
| **Total equity and liabilities** | | 4,722 | 365,236 | 4,722 | 42 |

*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 2018

| | Attributable to owners of the Group | | | | | |
|---|---|---|---|---|---|---|
| | Share capital | Other reserves | Accumulated losses | Total | Non-controlling interests | Total equity |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Balance at 1 January 2017** | 313,344 | (12,063) | (1,187,294) | (886,013) | (5,499) | (891,512) |
| Total comprehensive loss for the year | – | – | (37,199) | (37,199) | (1,075) | (38,274) |
| **Balance at 31 December 2017** | 313,344 | (12,063) | (1,224,493) | (923,212) | (6,574) | (929,786) |
| Total comprehensive income for the year | – | – | 902,768 | 902,768 | (500) | 902,268 |
| Derecognition of subsidiaries (Note 8) | – | 17,379 | – | 17,379 | 7,074 | 24,453 |
| **Balance at 31 December 2018** | 313,344 | 5,316 | (321,725) | (3,065) | – | (3,065) |

*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 2018

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | RMB'000 | RMB'000 |
| **Operating activities** | | | |
| Profit/(Loss) before income tax | | | |
| - Continuing operations | | (1,706) | (2,614) |
| - Discontinued operations | 8 | 903,794 | (35,609) |
| | | 902,088 | (38,223) |
| Adjustments for: | | | |
| Amortisation of deferred capital grants | | (284) | (510) |
| Amortisation of land use rights | | 876 | 1,712 |
| Depreciation of property, plant and equipment | | 3,357 | 19,291 |
| Impairment loss/(Write-back) on doubtful receivables, net | | 7 | (3,662) |
| Property, plant and equipment written off | | 19 | 8 |
| Interest expense | 8 | 8,525 | 43,119 |
| Interest income | 8 | (6) | (12) |
| Write-back of inventories allowances | | (5,695) | (3,317) |
| Gain on disposal of subsidiaries | 8 | (911,741) | – |
| **Operating cash flows before movements in working capital** | | (2,854) | 18,406 |
| *Movements in working capital* | | | |
| Inventories | | 5,728 | 22,204 |
| Trade and other receivables | | (2,099) | (71,613) |
| Prepayments | | 696 | 1,440 |
| Trade and other payables | | (1,663) | 81,640 |
| **Cash generated from/(used in) operations** | | (192) | 52,077 |
| Income taxes paid | | – | (7) |
| **Net cash generated from/(used in) operating activities** | | (192) | 52,070 |
| **Investing activities** | | | |
| Acquisition of property, plant and equipment by disposal group | | (289) | (1,417) |
| Net cash outflow on disposal of subsidiaries | 13 | (2,895) | – |
| Interest received | | 6 | 12 |
| **Net cash used in investing activities** | | (3,178) | (1,405) |
| **Financing activities** | | | |
| Interest paid | | – | (43,119) |
| Proceeds from borrowings | | | – |
| Repayments of borrowings | | (6,781) | (16,715) |
| Release of pledged bank balances | | 6,829 | 1,151 |
| **Net cash generated from/(used in) financing activities** | | 48 | (58,683) |
| **Net decrease in cash and cash equivalents** | | (3,322) | (8,018) |
| Cash and cash equivalents at beginning of year | 18 | 4,869 | 12,887 |
| **Cash and cash equivalents at end of year** | 18 | 1,547 | 4,869 |

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

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, #07-04, Singapore 139965.

The principal activity of the Company is that of investment holding. The principal activities of the respective subsidiaries are disclosed in Note 13 to the financial statements.

The financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2018 and the statement of financial position of the Company as at 31 December 2018 were authorised for issue by the Board of Directors on 8 April 2019.

### 1.2 Going concern

As at 31 December 2018, the Group and the Company were in capital deficiency position of RMB3,065,000 and RMB2,992,000, respectively. Excluding the one-off gain on disposal of RMB911,742,000, the Group incurred a net loss of RMB9,473,000 resulting from continuing and discontinued operations and net operating cash outflow of RMB192,000 for the financial year then ended. These conditions indicate the existence of significant doubt on the Group's and the Company's ability to continue as going concerns. Notwithstanding these conditions, the directors are of the view that the going concern assumption is appropriate as subsequent to the reporting date, the Group and the Company had on 20 February 2019, entered into a Memorandum of Understanding with Mr Song Jianjun, an independent third party (the "Vendor") in relation to the proposed acquisition of 100% of the registered capital of Shanxi Bibenet Information Technology Co., Ltd (the "Proposed Acquisition"). The Proposed Acquisition, if successfully completed, is expected to result in injection of business and funds to the Company. In the event that the Group and Company were unable to successfully complete the Proposed Acquisition, the liabilities may not be able to be discharged in the normal course of business. No such adjustments have been made to the financial statements.

## 2. Summary of significant accounting policies

### 2.1 Basis of preparation

The financial statements of the Group and the statement of financial position of the Company have been drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") including related Interpretations of SFRS(I) ("SFRS(I) INT") 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.

**Singapore Financial Reporting Standards (International)**

In December 2017, the Accounting Standards Council (the "ASC") issued the Singapore Financial Reporting Standards (International) ("SFRS(I)") as the new accounting framework to be mandatorily applied by qualifying entities, which include Singapore-incorporated entities whose debt or equity instruments are traded in a public market in Singapore, in the preparation and presentation of their general purpose financial statements for annual reporting periods beginning on or after 1 January 2018.

This first volume of SFRS(I) contains the equivalent of consolidated text of IFRS as issued by the International Accounting Standards Board ("IASB") at 31 December 2017 that are applicable for annual reporting periods beginning on 1 January 2018. Simultaneous to its compliance with SFRS(I), the Group can hence elect to include an explicit and unreserved statement of compliance with SFRS(I) in its first and subsequent SFRS(I) financial statements.

In its initial adoption of this first set of SFRS(I) financial statements, the Group has applied SFRS(I) 1 First-Time Adoption of Singapore Financial Reporting Standards (International) ("SFRS(I) 1") which is equivalent to IFRS 1 First-Time Adoption of International Financial Reporting Standards.

## 2. Summary of significant accounting policies (Continued)

### 2.1 Basis of preparation (Continued)

**Singapore Financial Reporting Standards (International) (Continued)**

*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:

| SFRS (I) | Title | Effective date (annual periods beginning on or after) |
|---|---|---|
| SFRS(I) 1-19 | Amendments to SFRS(I) 1-19: *Plan Amendment, Curtailment or Settlement* | 1 January 2019 |
| SFRS(I) 1-28 | Amendments to SFRS(I) 1-28: *Long-term Interests in Associates and Joint Ventures* | 1 January 2019 |
| SFRS(I) 9 | Amendments to SFRS(I) 9: *Prepayment Features with Negative Compensation* | 1 January 2018 |
| SFRS (I)10, SFRS(I) 1-28 | Amendments to SFRS(I) 10 and SFRS(I) 1-28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* | To be determined |
| SFRS(I) 16 | Leases | 1 January 2019 |
| SFRS(I) INT 23 | Uncertainty over Income Tax Treatments | 1 January 2019 |
| Various | Annual Improvements to SFRS(I)s 2015-2017 Cycle | 1 January 2019 |
| | - Amendments to SFRS(I) 3 *Business Combinations: Additional guidance for applying the acquisition method to particular types of business combinations* | |
| | - Amendments to SFRS(I) 11 *Joint Arrangements: Accounting for acquisition of interests in joint operations* | |
| | - Amendments to SFRS(I) 1-12 *Income taxes: Measurement, Recognition of current and deferred tax and borrowing costs* | |
| | - Amendments to SFRS(I) 1-23 *Borrowing costs: Borrowing costs eligible for capitalisation* | |
| | - Amendments to References to the Conceptual Framework in SFRS(I) Standards | 1 January 2020 |
| | - Amendments to illustrative examples, implementation guidance and SFRS(I) practice statements | |
| SFRS(I) 3 | Amendments to SFRS(I) 3: Definition of a Business | 1 January 2020 |
| SFRS(I) 1-1, SFRS(I) 1-8 | Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: Definition of Material | 1 January 2020 |
| SFRS(I) 17 | Insurance Contracts | 1 January 2021 |

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 2018. 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.

## 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.

## 2. Summary of significant accounting policies (Continued)

### 2.2 Basis of consolidation (Continued)

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

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 2017

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. For each business combination, the Group determines whether to measure the non-controlling interests in the acquire at fair value or at proportionate share in the recognised amounts of the acquiree's identifiable net assets. Acquisition-related costs are recognised in profit or loss as incurred and included in administrative expenses.

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.

The Group recognises any contingent consideration to be transferred for the acquiree at the fair value on the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement shall be accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of SFRS(I) 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with SFRS(I) 9. Other contingent consideration that is not within the scope of SFRS(I) 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

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

## 2. Summary of significant accounting policies (Continued)

### 2.3 Business combinations (Continued)

<u>Business combinations from 1 January 2017</u> (Continued)

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.

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.

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 the subsidiary or jointly controlled entity.

## 2. Summary of significant accounting policies (Continued)

### 2.3 Business combinations (Continued)

Business combinations before 1 January 2017

As part of transition to SFRS(I), the Group elected not to restate those business combinations that occurred before the date of transition to SFRS(I), i.e. 1 January 2017. Goodwill arising from acquisitions before 1 January 2017 has been carried forward from the previous FRS framework as at the date of transition.

In comparison to the above-mentioned requirements under SFRS(I), 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 from contracts with its customers is recognised when or as the Group satisfies a performance obligation by transferring a promised good or service generated in the ordinary course of the Group's activities to its customer, at a transaction price that reflects the consideration the Group expects to be entitled in exchange for the goods or service and that is allocated to that performance obligation. The goods or service is transferred when or as the customer obtains control of the goods or service.

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.

## 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. Summary of significant accounting policies (Continued)

### 2.8 Income tax

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

The tax currently payable 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 subsidiaries operate by the end of the financial year.

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 except for the investment properties where investment properties measured at fair value are presented to be recovered entirely through sale.

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. Summary of significant accounting policies (Continued)

### 2.8 Income tax (Continued)

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- when the sales tax that is incurred on purchases is not recoverable from the tax authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

### 2.9 Dividends

Equity dividends are recognised as a liability 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. A corresponding amount is recognised in equity.

### 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. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity through other comprehensive income.

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.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in China Yuan using exchange rates prevailing at the end of the financial year. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve.

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

## 2. Summary of significant accounting policies (Continued)

### 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.

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.

## 2. Summary of significant accounting policies (Continued)

### 2.13 Goodwill on consolidation (Continued)

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 SFRS(I) 5 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).

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 it separate financial statements.

## 2. Summary of significant accounting policies (Continued)

### 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, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

### 2.16 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.

## 2. Summary of significant accounting policies (Continued)

### 2.16 Financial instruments (Continued)

Financial instruments from 1 January 2018

These accounting policies are applied on and after the initial application date of SFRS(I) 9, (i.e. 1 January 2018).

**Financial assets**

Initial recognition and measurement

All financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset. With the exception of trade receivables that do not contain a significant financing component or for which the Group applies a practical expedient, all financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified as subsequently measured at amortised cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit or loss ("FVTPL"). The classification at initial recognition depends on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

The Group's business model refers to how the Group manages its financial assets in order to generate cash flows which determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Group determines whether the asset's contractual cash flows are solely payments of principal and interest ("SPPI") on the principal amount outstanding to determine the classification of the financial assets.

Financial assets at amortised cost

A financial asset is subsequently measured at amortised cost if the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, the financial asset at amortised cost are measured using the effective interest method and is subject to impairment. Gains or losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on financial assets measured at amortised cost and debt instruments measured at FVTOCI. At each reporting date, the Group assesses whether the credit risk on a financial asset has increased significantly since initial recognition by assessing the change in the risk of a default occurring over the expected life of the financial instrument. Where the financial asset is determined to have low credit risk at the reporting date, the Group assumes that the credit risk on financial assets has not increased significantly since initial recognition.

## 2. Summary of significant accounting policies (Continued)

### 2.16 Financial instruments (Continued)

Financial instruments from 1 January 2018 (Continued)

**Financial assets (Continued)**

Impairment of financial assets (Continued)

The Group uses reasonable and supportable forward-looking information that is available without undue cost or effort as well as past due information when determining whether credit risk has increased significantly since initial recognition.

Where the credit risk on that financial instrument has increased significantly since initial recognition, the Group measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL. Where the credit risk on that financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

The Group uses a practical expedient to recognise the ECL for trade receivables and contract assets, which is to measure the loss allowance at an amount equal to lifetime ECL using an allowance matrix derived based on historical credit loss experience adjusted for current conditions and forecasts of future economic conditions.

The amount of ECL or reversal thereof that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised is recognised in profit or loss.

While they are not financial assets, contract assets arising from the Group's contracts with customers under SFRS(I) 15 are assessed for impairment in accordance with SFRS(I) 9, similar to that of trade receivables.

The Group directly reduces the gross carrying amount of a financial asset when the entity has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the financial 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.

## 2. Summary of significant accounting policies (Continued)

### 2.16 Financial instruments (Continued)

Financial instruments from 1 January 2018 (Continued)

**Financial liabilities and equity instruments**

Classification as debt or equity

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

Equity instruments

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

*Ordinary share capital*

Ordinary share capital is classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

Financial liabilities

Initial recognition and measurement

All financial liabilities are recognised on trade date – the date on which the Group commits to purchase or sell the asset. All financial liabilities are initially measured at fair value, minus transaction costs, except for those financial liabilities classified as at fair value through profit or loss, which are initially measured at fair value.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities are classified as at fair value through profit or loss if the financial liability is either held for trading or it is designated as such upon initial recognition. Financial liabilities classified as at fair value through profit or loss comprise derivatives that are not designated or do not qualify for hedge accounting.

Other 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).

## 2. Summary of significant accounting policies (Continued)

### 2.16 Financial instruments (Continued)

Financial instruments from 1 January 2018 (Continued)

**Financial liabilities and equity instruments (Continued)**

Convertible loan notes

Convertible loan notes are treated 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.

The liability component of bonds is recognised initially at the fair value of a similar non-convertible liability. The carrying amount of the equity component is then determined by deducting the fair value of the liability component from the fair value of the compound financial instrument as a whole.

Any directly attributable transaction costs are allocated to the liability and equity portion in proportion to their initial carrying amounts.

Subsequent to the initial measurement, the liability component of the bonds is measured at amortised cost using the effective interest method until its extinguishment upon conversion, redemption or at the maturity date. The equity component remains as equity, net of income tax effects, but may be transferred within equity.

Derecognition of financial liabilities

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

Financial assets before 1 January 2018

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 ("AFS") financial assets. The classification at initial recognition depends on the nature and purpose for which these financial assets were acquired and is determined at the time of initial recognition.

Held-to-maturity investments

Bonds with fixed or determinable payments and fixed maturity dates where the Group has a positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

Loans and receivables

A financial asset is classified as loans and receivables if the financial asset is non-derivatives with fixed or determinable payments that are not quoted in an active market. The Group's loans and receivables comprise trade and other receivables, bank balances and fixed deposits. 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.

## 2. Summary of significant accounting policies (Continued)

### 2.16 Financial instruments (Continued)

Financial assets before 1 January 2018 (Continued)

AFS financial assets

Certain equity instruments and debt instruments held by the Group are classified as AFS if they are not classified in any of the other categories. Subsequent to initial recognition, with the exception of unquoted equity instruments that are not carried at fair value as the fair value cannot be reliably measured, AFS are measured at fair value and changes therein are recognised directly in the AFS reserve with the exception of impairment losses, interests calculated using the effective interest method and foreign exchange gains and losses arising from monetary items.

Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the AFS reserve is included in profit or loss for the year.

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.

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

In respect of AFS equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the financial 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.

## 2. Summary of significant accounting policies (Continued)

### 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”.

### 2.19 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, bank overdrafts and other short-term highly liquid investments which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

### 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. Summary of significant accounting policies (Continued)

### 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 when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an expense, the grant is recognised as income in profit or loss on a systematic basis over the periods in which the related costs, for which the grants are intended to compensate, is expensed. Where the grant relates to an asset, the grant 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.

Non-monetary government grant is recognised at nominal amount.

### 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.

## 2. Summary of significant accounting policies (Continued)

### 2.25 Non-current assets (or disposal groups) and discontinued operations held for sale

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

They are measured at the lower of the carrying amount and fair value less costs to sell. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and

(i) represents a separate major line of business or geographical area of operations;

(ii) is part of a single co-ordinated plan to dispose of a separate major line or geographical area of operations; or

(iii) is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as a discontinued operation, the comparative profit or loss is re-presented as if the operation had been discontinued from the start of the comparative period.

## 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 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.

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

### 3.1 Key sources of estimation uncertainty (Continued)

**Depreciation of property, plant and equipment (Continued)**

As at 31 December 2018, the carrying amounts of the Group's property, plant and equipment were RMB3,905 (2017: RMB149,794,000, of which RMB149,770,000 were assets of disposal group classified as held-for-sale). The carrying amounts of the Company's property, plant and equipment were RMB3,905 (2017: RMB24,000).

**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.

As at 31 December 2018, the carrying amounts of the Group's land use rights were RMB Nil (2017: RMB57,514,000 of which were assets of disposal group classified as held-for-sale). As at 31 December 2018, the carrying amounts of the Group's property, plant and equipment were RMB3,905 (2017: RMB149,794,000, of which RMB149,770,000 were assets of disposal group classified as held-for-sale). The carrying amounts of the Company's property, plant and equipment were RMB3,905 (2017: RMB24,000).

**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. As at 31 December 2018, the carrying amount of the Group's inventories was RMB Nil (2017: RMB7,502,000 which were assets of disposal group classified as held-for-sale).

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

### 3.1 Key sources of estimation uncertainty (Continued)

**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.

As at 31 December 2018, the carrying amounts of the Group's trade and other receivables were RMB3,171,000 (2017: RMB134,126,000 of which RMB134,111,000 were assets of disposal group classified as held-for-sale). The carrying amounts of the Company's trade and other receivables RMB3,171,000 (2017: RMB15,000), respectively.

**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. As at 31 December 2018, the carrying amounts of the Group's current tax payable and deferred tax liabilities were RMB Nil (2017: RMB8,046,000) and RMB Nil (2017: RMB7,356,000) respectively, which were collectively liabilities of disposal group classified as held-for-sale.

## 4. Other income

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| | RMB'000 | RMB'000 |
| **Continuing operations:** | | |
| Government grants and subsidies | 1 | 4 |
| Interest Income | 6 | – |
| Others | 5 | 4 |
| Reversal of provision for withholding tax | 373 | – |
| Waiver of loans | 143 | – |
| | 528 | 8 |

## 5. Other expenses

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| | RMB'000 | RMB'000 |
| **Continuing operations:** | | |
| Allowance for non-trade doubtful debt | 7 | - |
| Property,plant and equipment written off | 13 | - |
| | 20 | - |

## 6. Loss before income tax from continuing operations

The following charges were included in the determination of loss before income tax:

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| | RMB'000 | RMB'000 |
| Foreign currencies exchange loss net | 40 | 80 |
| Operating lease expenses | 69 | 74 |
| Audit fees | 191 | 240 |
| Staff costs, including key management personnel remuneration (Note 25) | | |
| - Directors' fees | 832 | 804 |
| - Salaries, wages and bonuses | 422 | 533 |
| - Contributions to defined contribution plans | 65 | 67 |

## 7. Income tax expense

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:

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| | RMB'000 | RMB'000 |
| Loss before income tax | (1,706) | (2,614) |
| Income tax at statutory rates | (290) | (444) |
| Add: | | |
| Different tax rates of overseas operations | 3 | 5 |
| Tax effect on non-taxable income | (90) | – |
| Tax effect on non-deductible expenses | 374 | 430 |
| Deferred tax assets not recognised | 3 | 9 |
| Total income tax expense | – | – |

## 7. Income tax expense (Continued)

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.

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% (2017: 25%).

## 8. Discontinued operations and disposal group classified as held-for-sale

During the financial year ended 31 December 2016, due to the difficulty in obtaining financing, the Group's intention was to recover the carrying amount of its' plastic pipe business and operations in China via disposal. Hence, the China operations were classified as disposal group held for sale for the financial year then ended. Subsequently, on 31 March 2017, the Company, together with its wholly-owned subsidiaries, Best Connect Resources Limited, Eagle Super Associates Limited and One Sea Development Ltd have entered into a Sales & Purchase Agreement ("SPA") with Fujian Yatong Construction Material Limited ("Purchaser") for the disposal of the shares and equity interest in the following companies ("disposal group") for a consideration of RMB10,000,000.

1. Fujian Aton Advanced Material Science and Technology Co., Ltd
2. Sinopipe Guizhou Co., Ltd
3. Yunnan Aton High Molecular Materials Technology Co., Ltd
4. Inner Mongolia Aton Plastics
5. Yatong Plastic (Hubei) Co., Ltd
6. Yatong Plastic & Rubbers (Kaifeng) Co., Ltd

## 8. Discontinued operations and disposal group classified as held-for-sale (Continued)

On 13 February 2018, the Group announced that the transfer of some shares of the disposal group had encountered certain obstacles due to the current financial status of the subsidiaries of the Company in the PRC. In order to expedite the relevant procedure and to complete the disposal, the Group have entered into a supplementary agreement in respect of the disposal.

Key terms of the supplemental agreement are set out as follows:

1. The Vendors of the Proposed Disposal were changed to the Company, Best Connect Resources Limited and Eagle Super Associates Limited ("New Vendors"). One Sea Development Ltd ("One Sea"), which served as a special purpose vehicle to hold the shares in the relevant PRC subsidiaries of the Company, was no longer one of the Vendors. Instead, the Company would sell 100% of the shares in One Sea to the Purchaser in accordance with the Supplemental Agreement.

2. Accordingly, the Target Companies were changed to Fujian Atontech, Sinopipe Guizhou and One Sea. Yunan Aton was no longer one of the Target Companies. Therefore, upon successful completion of the Proposed Disposal, Fujian Atontech, Sinopipe Guizhou and One Sea would cease to be subsidiaries of the Company, and the companies (namely Mongolia Aton, Yatong Hubei and Yatong Kaifeng) held by One Sea and Fujian Atontech would cease to be subsidiaries or associates of the Company.

3. The amount of Consideration of the disposal remained unchanged.

On 30 April 2018, the Group announced that the disposal was completed and the Group has received USD790,000 (equivalent to RMB5 million) from the Purchaser. On 18 May 2018, the Group further announced that an accumulated total sum of USD1,086,798 (equivalent to RMB7 million representing approximately 68% of the total disposal consideration) has been received from the Purchaser. Subsequent to the disposal, only Best Connect Resources Limited, Eagle Super Associated Limited and Atontech (Hong Kong) Co. Limited remain as subsidiaries.

As at 31 December 2017 the assets and liabilities relating to disposal group are classified as a disposal group held-for-sale and are presented in the statements of financial position as "Assets of disposal group classified as held-for-sale" and "Liabilities of disposal group classified as held-for-sale". The results of operations of disposal group are presented separately in the statement of profit or loss and other comprehensive income as "Loss for the year from discontinued operations attributable to owners of the company".

The details of the gain on disposal of discontinued operations during the financial year is analysed as follows:

| | **2018** |
|---|---|
| | **RMB'000** |
| Total Consideration | 10,000 |
| Add: | |
| Net liabilities disposed (Note 13) | 926,336 |
| Non-controlling interest | (7,074) |
| Waiver of payable | (142) |
| Other reserves recycled through profit or loss | (17,379) |
| | 901,741 |
| **Gain on disposal of subsidiaries** | 911,741 |

## 8. Discontinued operations and disposal group classified as held-for-sale (Continued)

The assets and liabilities of the disposal group classified as held-for-sale as at 31 December 2017 are as follows:

| | Group 2017 RMB'000 |
|---|---|
| **Assets:** | |
| Land use rights | 57,514 |
| Property, plant and equipment | 149,770 |
| Goodwil | 3,117 |
| Inventories | 7,502 |
| Trade and other receivables | 134,111 |
| Prepayments | 1,485 |
| Cash and cash equivalents | 11,695 |
| Assets of disposal group classified as held-for-sale | 365,194 |
| **Liabilities:** | |
| Borrowings | 669,894 |
| Deferred capital grants | 11,827 |
| Deferred tax liabilitie | 7,356 |
| Trade and other payables | 586,510 |
| Income tax payable | 8,046 |
| Liabilities of disposal group classified as held-for-sale | 1,283,633 |
| Net liabilities directly associated with disposal group classified as held-for-sale | 918,439 |

All the financial assets and liabilities of the disposal group are denominated in Chinese Renminbi.

The results of the disposal group for the financial years ended 31 December are as follows:

| | Group | |
|---|---|---|
| | 2018 RMB'000 | 2017 RMB'000 |
| Revenue | 16,789 | 127,341 |
| Expenses | (16,217) | (119,843) |
| Interest expense | (8,525) | (43,119) |
| Interest income | 6 | 12 |
| Pre-tax loss for the financial year | (7,947) | (35,609) |
| Income tax expense | 180 | (51) |
| Post-tax loss for the financial year | (7,767) | (35,660) |

## 8. Discontinued operations and disposal group classified as held-for-sale (Continued)

Cash flow statement disclosures

| | Group 2018 RMB'000 | Group 2017 RMB'000 |
|---|---|---|
| Operating | (1,732) | 52,068 |
| Investing | (3,184) | (1,405) |
| Financing | 48 | (58,680) |
| Net cash outflows | (4,868) | (8,017) |

Loss per share disclosures

| | Group 2018 RMB cents | Group 2017 RMB cents |
|---|---|---|
| Profit/(Loss) per share from discontinued operation attributable to owners of the Company: | | |
| Basic and diluted | 314.50 | (12.03) |

The basic and diluted loss per share from discontinued operations are calculated by dividing the loss from discontinued operation, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares for basic earnings per share computation and weighted average number of ordinary shares for diluted earnings per share computation respectively.

## 9. Loss per share

The following table illustrates the numerators and denominators used to calculate basic and diluted amount per share of no par value:

Loss per share is calculated by dividing the Group's result (net loss attributable to equity holders of the Company) for the financial year by the weighted average number of ordinary shares outstanding during the financial year as follows:

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | Continuing operations | | Discontinued operations | | Total | |
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Loss for the financial year | (1,706) | (2,614) | 904,474 | (34,585) | 902,768 | (37,199) |

| | 2018 '000 | 2017 '000 |
|---|---|---|
| Weighted average number of ordinary shares in issue during the financial year | 287,595 | 287,595 |

## 9. Loss per share (Continued)

The weighted average number of equity shares refers to shares in circulation during the reporting period.

There is no dilutive effect from the convertible loan as they are anti-dilutive because their conversion to ordinary shares would decrease loss per share.

The basic amount per share ratio is based on the weighted average number of ordinary shares outstanding during each reporting year. The diluted amount per share is based on the weighted average number of ordinary shares and dilutive ordinary share equivalents outstanding during each reporting year. The average number of ordinary shares assumed to be outstanding during the reporting year as if the convertible loan has been converted into ordinary shares and the profit or loss is after giving effect to the elimination of interest expense, net of tax benefit applicable to the convertible loan.

## 10. Land use rights

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | **RMB'000** | **RMB'000** |
| **Cost** | | |
| Balance at 1 January | – | – |
| Reclassified to disposal group held-for-sale | – | – |
| Disposals | – | – |
| Balance at 31 December | – | – |
| **Accumulated amortisation** | | |
| Balance at 1 January | – | – |
| Amortisation | – | – |
| Impairment losses | – | – |
| Reclassified to disposal group held-for-sale | – | – |
| Disposals | – | – |
| Balance at 31 December | – | – |
| **Carrying amount** | | |
| Balance at 31 December | – | – |

Pursuant to the Sales and Purchase Agreement as stated in Note 8, land use rights have been reclassified to assets of disposal group classified as held-for-sale.

## 11. Property, plant and equipment

| Group | Buildings | Plant and machinery | Office and electronic equipment | Motor vehicles | Construction-in-progress | Total |
|---|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Cost** | | | | | | |
| Balance at 1 January 2017 | – | – | 83 | – | – | 83 |
| Additions | – | 144 | 280 | – | 993 | 1,417 |
| Write-off | – | (20) | (15) | (3) | – | (38) |
| Transfers | 56 | – | – | – | (56) | – |
| Reclassified to disposal group held- for-sale | (56) | (124) | (265) | 3 | (937) | (1,379) |
| Balance at 31 December 2017 | – | – | 83 | – | – | 83 |
| Balance at 1 January 2018 | – | – | 83 | – | – | 83 |
| Additions | – | – | – | – | – | – |
| Write-off | – | – | (73) | – | – | (73) |
| Transfers | – | – | – | – | – | – |
| Reclassified to disposal group held-for-sale | – | – | – | – | – | – |
| Balance at 31 December 2018 | – | – | 10 | – | – | 10 |
| **Accumulated depreciation and impairment losses** | | | | | | |
| Balance at 1 January 2017 | – | – | 48 | – | – | 48 |
| Depreciation | – | – | 11 | – | – | 11 |
| Write-off | – | – | – | – | – | – |
| Reclassified to disposal group held-for-sale | – | – | – | – | – | – |
| Balance at 31 December 2017 | – | – | 59 | – | – | 59 |
| Balance at 1 January 2018 | – | – | 59 | – | – | 59 |
| Depreciation | – | – | 7 | – | – | 7 |
| Write-off | | | (60) | | | (60) |
| Reclassified to disposal group held-for-sale | – | – | – | – | – | – |
| Balance at 31 December 2018 | – | – | 6 | – | – | 6 |
| **Carrying amount** | | | | | | |
| Balance at 31 December 2018 | – | – | 4 | – | – | 4 |
| Balance at 31 December 2017 | – | – | 24 | – | – | 24 |

## 11. Property, plant and equipment (Continued)

| Company | Office and electronic equipment |
|---|---|
| | RMB'000 |
| **Cost** | |
| Balance at 1 January 2017 | 83 |
| Additions | – |
| Balance at 31 December 2017 | 83 |
| Additions | – |
| Write-off | (73) |
| Balance at 31 December 2018 | 10 |
| **Accumulated depreciation** | |
| Balance at 1 January 2017 | 48 |
| Depreciation | 11 |
| Balance at 31 December 2017 | 59 |
| Depreciation | 7 |
| Write-off | (60) |
| Balance at 31 December 2018 | 6 |
| **Carrying amount** | |
| Balance at 31 December 2018 | 4 |
| Balance at 31 December 2017 | 24 |

## 12. Goodwill

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| | RMB'000 | RMB'000 |
| **Cost** | | |
| Balance at 1 January | – | – |
| Reclassified to disposal group held-for-sale | – | – |
| Balance at 31 December | – | – |
| **Accumulated impairment** | | |
| Balance at 1 January | – | – |
| Impairment loss | – | – |
| Reclassified to disposal group held-for-sale | – | – |
| Balance at 31 December | – | – |
| **Carrying amount** | | |
| Balance at 31 December | – | – |

## 12. Goodwill (continued)

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.

Pursuant to the Sales and Purchase Agreement as stated in Note 8, goodwill has been reclassified to assets of disposal group classified as held-for-sale.

## 13. Investments in subsidiaries

| | Company | |
|---|---|---|
| | 2018 | 2017 |
| | RMB'000 | RMB'000 |
| Unquoted equity shares, at cost | 321,458 | 321,458 |
| Disposal | (236,880) | – |
| | 84,578 | 321,458 |
| Less: Impairment loss | | |
| Balance at 1 January | (321,458) | (321,458) |
| Disposal | 236,880 | – |
| Balance at 31 December | (84,578) | (321,458) |
| | – | – |

The details of the subsidiaries are as follows:

| Name of subsidiary | Principal activities | Principal place of business | Percentage of effective equity interest held by the Group | |
|---|---|---|---|---|
| | | | 2018 | 2017 |
| | | | % | % |
| Held by the Company | | | | |
| Best Connect Resources Limited [(1)] | Investment holding | British Virgin Islands | 100.00 | 100.00 |
| One Sea Development Ltd. [(1)] | Investment holding | British Virgin Islands | – | 100.00 |
| Eagle Super Associates Limited [(1)] | Investment holding | British Virgin Islands | 100.00 | 100.00 |
| 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 |
| Sinopipe Guizhou Co., Ltd. [(9)] | Production and sale of plastic pipes and fittings | People's Republic of China | – | 49.00 |
| Atontech (Hong Kong) Co. Limited [(10)] | Trading and distribution of plastic pipes and fittings | Hong Kong | 100.00 | 100.00 |

## 13. Investments in subsidiaries (continued)

| | | | | |
|---|---|---|---|---|
| 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 |
| Yatong Plastic (Hubei) Co., Ltd. (4) | Production and sale of plastic pipes and fittings | People's Republic of China | – | 99.60 |
| Aton Plastics (Chongqing) Co., Ltd. (5) | Production and sale of plastic pipes and fittings | People's Republic of China | – | 79.54 |
| Yatong Plastic & Rubbers (Kaifeng) Co., Ltd. (6) | Production and sale of plastic pipes and fittings | People's Republic of China | – | 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 |
| Xiamen Honghao Pipes Co., Ltd. (8) | Production and sale of plastic pipes and fittings | People's Republic of China | – | 54.91 |
| Sichuan Aton Plastics Co., Ltd. (9) | Production and sale of plastic pipes and fittings | People's Republic of China | – | 99.43 |
| Sinopipe Guizhou Co., Ltd. (9) | Production and sale of plastic pipes and fittings | People's Republic of China | – | 51.00 |
| Inner Mongolia Aton Plastics Co., Ltd. (9) | Production and sale of plastic pipes and fittings | People's Republic of China | – | 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 |
| Gansu Tenglong Watersaving Co., Ltd. (9) | Production and sale of plastic pipes and fittings | People's Republic of China | – | 84.52 |
| Beijing Aton Plastics Co., Ltd. (9) | Production and sale of plastic pipes and fittings | People's Republic of China | – | 99.43 |
| Atontech (Singapore) Pte. Ltd. (2) | Inactive | Singapore | – | 99.43 |

(1) Not required to be audited by the law of its country of incorporation

(2) Audited by Mazars LLP

(3) The auditor is Fujian Zhengyuan Certified Public Accountants Co., Ltd

(4) The auditor is Xiantao Hongxinda Certified Public Accountants Partnership

(5) The auditor is Chongqing Chengrui Certified Public Accountants

(6) The auditor is Henan Province Songcheng Accountants Office Co., Ltd

(7) The auditor is Luoyang Yedingxing Certified Public Accountants Partnership

(8) The auditor is Xiamen Xinlongyuan Certified Public Accountants Co., Ltd.

(9) The auditors are other Certified Public Accountants in the PRC

(10) The auditor is Mazars CPA Limited

## 13. Investments in subsidiaries (continued)

As disclosed in Note 8 to the financial statements, during the financial year ended 31 December 2018, the Group has completed its disposal of the interest in the Target Companies for a total consideration of RMB10,000,000.

**Carrying amounts of the assets and liabilities as at the date of disposal are as follows:**

| | 2018 |
|---|---|
| | RMB'000 |
| **Non-current assets** | |
| Land use rights | 56,637 |
| Property, plant and equipment | 146,704 |
| Goodwill | 3,117 |
| **Current assets** | |
| Inventories | 10,593 |
| Trade and other receivables | 133,048 |
| Prepayments | 789 |
| Cash and bank balances | 9,746 |
| **Current liabilities** | |
| Deferred capital grants | (11,543) |
| Deferred tax liabilities | (7,175) |
| Borrowings | (663,114) |
| Trade and other payables | (597,092) |
| Income tax liabilities | (8,046) |
| **Net liabilities disposed** | (926,336) |
| Consideration received | 6,851 |
| Cash and bank balances of subsidiaries disposed of | (9,746) |
| **Net cash outflow on disposal of subsidiaries** | (2,895) |

During the current and previous financial years, no audit was performed for all significant components as the auditors encountered limitation of scope.

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

## 13. Investments in subsidiaries (Continued)

| | Proportion of ownership interest held by NCI | | Loss allocated to NCI during the financial year | | NCI share of accumulated profit/ (loss) at the reporting date | |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| **Subsidiaries** | **%** | **%** | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** |
| Xiamen Honghao Pipes Co., Ltd. | – | 45.09 | – | (254) | – | 519 |
| Inner Mongolia Aton Plastics Co., Ltd. | – | 42.31 | – | (50) | – | (13,142) |
| Aton Plastics (Chongqing) Co., Ltd. | – | 20.46 | – | (771) | – | (16,026) |
| Gansu Tenglong Watersaving Co., Ltd | – | 15.48 | – | – | – | (4,410) |

No dividend was declared in financial year 2018 and 2017.

In the prior year there were 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 RMB Nil (2017: RMB11,695,000) which are subject to local exchange control regulations which restrict the amount of currency to be exported other than through dividends.

## 14. Investments in associates

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** |
| Unquoted equity shares, at cost | 16,400 | 16,400 | 14,000 | 14,000 |
| Less: Impairment loss | (16,400) | (9,570) | (14,000) | (14,000) |
| Share of results | – | (6,830) | – | – |
| | – | – | – | – |

## 14. Investments in associates (continued)

The details of the associates are as follows:

| Name of associate | Principal activities | Principal place of business | Percentage of effective equity interest held by the Group | |
|---|---|---|---|---|
| | | | 2018 | 2017 |
| | | | % | % |
| Held by the Company | | | | |
| Yunnan Aton High Molecular Materials Technology Co., Ltd. ("Yunnan Aton") (1) | Production and sale of plastic pipes and fittings | People's Republic of China | 35.00 | 35.00 |
| Held by a subsidiary | | | | |
| Fujian Industrial Plastic Technology Research and Development Co., Ltd. ("Fujian Industrial Plastic") (2) | Research and development and provision of technical consultancy services in plastic technology sector | People's Republic of China | – | 47.73 |

(1) The auditor is Kunming Yunmu Certified Public Accountants Co., Ltd.

(2) The auditor is Fuzhou Hongyou Certified Public Accountants Limited.

During the previous financial year, pursuant to the Sales and Purchase Agreement as stated in Note 8, investment in associate was reclassified to assets of disposal group classified as held-for-sale.

Subsequent to the financial year, on 15 March 2019, the Group announced that the 35% equity interest in Yunnan Aton has been disposed.

## 15. Deferred tax

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| | RMB'000 | RMB'000 |
| Deferred tax liabilities | – | – |

Movements in deferred tax position are as follows:

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| | RMB'000 | RMB'000 |
| Balance at 1 January | – | – |
| Charged to profit or loss | – | – |
| Reclassified to disposal group held-for-sale | – | – |
| Balance at 31 December | – | – |

## 15. Deferred tax (continued)

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

| Group | Undistributed earnings of subsidiaries | Fair value adjustments on acquisition of a subsidiary | Total |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| Balance at 1 January 2017 | – | – | – |
| Charge to profit or loss | – | – | – |
| Reclassified to disposal group held-for-sale | – | – | – |
| Balance at 31 December 2017 | – | – | – |
| Charge to profit or loss | – | – | – |
| Reclassified to disposal group held-for-sale | – | – | – |
| Balance at 31 December 2018 | – | – | – |

Pursuant to the Sales and Purchase Agreement as stated in Note 8, deferred tax liabilities attributable to the disposal group have been reclassified to liabilities of disposal group classified as held-for-sale.

## 16. Inventories

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| | RMB'000 | RMB'000 |
| **At Net Realisable Value,** | | |
| Raw materials | – | – |
| Consumables | – | – |
| Work in progress | – | – |
| Finished goods | – | – |
| Allowance for write-down of inventories | – | – |
| | – | – |

Pursuant to the Sales and Purchase Agreement as stated in Note 8, inventories have been reclassified to assets of disposal group classified as held-for-sale.

## 16. Inventories (continued)

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

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| | RMB'000 | RMB'000 |
| Balance at 1 January | – | – |
| Write back | – | – |
| Reclassified to assets for disposal group classified as held-for-sale | – | – |
| Balance at 31 December | – | – |

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

## 17. Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Trade receivables | | | | |
| - Third parties | – | – | – | – |
| | | – | | – |
| Allowance for doubtful receivables | – | – | – | – |
| | – | – | – | – |
| Amounts due from contract customers | – | – | – | – |
| Amounts due from subsidiaries (non-trade) | – | – | 6,957 | 26,534 |
| Deposits | 8 | 8 | 8 | 8 |
| Prepayment | 14 | – | 14 | – |
| Other receivables | 3,149 | 7 | 3,149 | 7 |
| | 3,171 | 15 | 10,128 | 26,549 |
| Allowance for doubtful other receivable | – | – | (6,957) | (26,534) |
| | 3,171 | 15 | 3,171 | 15 |
| **Total trade and other receivables** | 3,171 | 15 | 3,171 | 15 |

Pursuant to the Sales and Purchase Agreement as stated in Note 8, trade and other receivables attributable to the disposal group have been reclassified to assets of disposal group classified as held-for-sale.

In the previous financial year, trade receivables are non-interest bearing and are generally on 90 to 180 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

## 17. Trade and other receivables (Continued)

Movements in allowance for doubtful receivables are as follows:

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| | RMB'000 | RMB'000 |
| Balance at 1 January | – | – |
| Allowance made | – | – |
| Write-back | – | – |
| Reclassified to disposal group held-for-sale | – | – |
| 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. Write-back of allowances is due to amount either recovered during the financial year or has been reassessed as recoverable.

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:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Renminbi | 3,149 | – | 3,149 | – |
| Singapore dollar | 22 | 15 | 22 | 15 |
| | 3,171 | 15 | 3,171 | 15 |

## 18. Cash and bank balances

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Cash balances | 23 | – | 23 | – |
| Bank balances | 1,524 | 3 | 1,524 | 3 |
| | 1,547 | 3 | 1,547 | 3 |

## 18. Cash and bank balances (continued)

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

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| | RMB'000 | RMB'000 |
| Cash and bank balances | | |
| - Continuing operations | 1,547 | 3 |
| - Discontinued operations (Note 8) | – | 11,695 |
| Bank balances pledged | – | (6,829) |
| Cash and cash equivalents | 1,547 | 4,869 |

The bank balances earn interest at floating rates based on daily bank deposit average effective interest rate of 0.15% (2017: 0.15%).

Bank balances amounted to RMB Nil (2017: RMB6,829,000) were pledged to banks to secure banking facilities, including bills payables facilities, extended to the Group.

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Singapore dollar | 185 | 1 | 185 | 1 |
| United States dollar | 1,362 | 2 | 1,362 | 2 |
| | 1,547 | 3 | 1,547 | 3 |

## 19. Share capital

| | Company | | | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | Number ('000) of ordinary shares with no par value | | RMB'000 | RMB'000 |
| **Issued and paid up** | | | | |
| At beginning and end of year | 287,595 | 287,595 | 313,344 | 313,344 |

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

## 20. Other reserves

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Restructuring reserve | – | (44,093) | – | – |
| Capital reserve | – | 356 | – | – |
| General reserve | 5,316 | 5,316 | 5,316 | 5,316 |
| Statutory surplus reserve | – | 4,088 | – | – |
| Statutory public welfare fund | – | 16,729 | – | – |
| Discretionary surplus reserve | – | 3,311 | – | – |
| Enterprise expansion reserve | – | 2,230 | – | – |
| | 5,316 | (12,063) | 5,316 | 5,316 |

**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.

**General reserve**

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. The balance was transferred to the general reserve on 30 January 2015 when the convertible loan was fully repaid.

**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.

## 20. Other reserves (continued)

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

**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.

## 21. Deferred capital grants

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| | RMB'000 | RMB'000 |
| **Cost** | | |
| Balance at 1 January | – | – |
| Reclassified to disposal group held-for-sale | – | – |
| Balance at 31 December | – | – |
| **Accumulated amortisation** | | |
| Balance at 1 January | – | – |
| Amortisation | – | – |
| Reclassified to disposal group held-for-sale | – | – |
| Balance at 31 December | – | – |
| **Carrying amount** | | |
| Balance at 31 December | – | – |

Pursuant to the Sales and Purchase Agreement as stated in Note 8, deferred capital grants have been reclassified to liabilities of disposal group classified as held-for-sale.

## 22. Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Bills payables | | – | | – |
| Accrued expenses | 5,014 | 8,345 | 4,915 | 8,261 |
| Other payables | 2,773 | 3,044 | 2,773 | 3,035 |
| Amounts due to subsidiaries (non-trade) | – | – | 26 | 25 |
| | 7,787 | 11,389 | 7,714 | 11,321 |

Pursuant to the Sales and Purchase Agreement as stated in Note 8, trade and other payables attributable to the disposal group have been reclassified to liabilities of disposal group classified as held-for-sale.

The non-trade amounts due to subsidiaries and an associate are 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:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Renminbi | – | – | – | – |
| Singapore dollar | 7,688 | 10,940 | 7,688 | 10,923 |
| Hong Kong dollar | 99 | 84 | 26 | 42 |
| United States dollar | – | 365 | – | 356 |
| | 7,787 | 11,389 | 7,714 | 11,321 |

## 23. 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:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Future minimum lease payments payable: | | | | |
| Within one year | 61 | 523 | 61 | 59 |
| After one year but within five years | – | 206 | – | – |
| | 61 | 729 | 61 | 59 |

The Company has entered into non-cancellable lease contracts on its rental agreement. These leases have remaining lease terms of 1 year (2017: 1 year).

## 24. Capital commitments

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| | RMB'000 | RMB'000 |
| Capital expenditures contracted but not provided for | | |
| - Commitments for the construction of buildings | – | 3,717 |
| | – | 3,717 |

## 25. 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.

## 25. Significant related party transactions (continued)

(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).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

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

The effect of the Group's and Company's transactions and arrangements with related 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 other than those disclosed elsewhere in these financial statements, there were no significant transactions with related parties.

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*

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | **RMB'000** | **RMB'000** |
| Directors' fees | 832 | 804 |
| Directors' remuneration other than fees | | |
| - Salaries, bonuses and other short-term benefits | – | 363 |
| - Contributions to defined contribution plans | – | – |
| Key management personnel (other than directors) | | |
| - Salaries, bonuses and other short-term benefits | 422 | 1,579 |
| - Contributions to defined contribution plans | 65 | 67 |
| | 1,319 | 2,813 |

## 26. 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.

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.

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

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 statement of financial position.

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

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

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.

Other receivables (Note 17)

As of 31 December 2018, the Company recorded other receivables of RMB 3,171,000 (31 December 2017: RMB 15,000). The Group did not recognise a loss allowance for the other receivables as the Group does not expect the credit loss to be material.

## 26. Financial risks management policies and objectives (Continued)

**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.

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:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Monetary assets** | | | | |
| Singapore dollar | 207 | 16 | 207 | 16 |
| United States dollar | 1,362 | 2 | 1,362 | 2 |
| | 1,569 | 18 | 1,569 | 18 |
| **Monetary liabilities** | | | | |
| Singapore dollar | 7,688 | 10,940 | 7,688 | 10,923 |
| Hong Kong dollar | 99 | 84 | 26 | 42 |
| United States dollar | – | 365 | – | 356 |
| | 7,787 | 11,389 | 7,714 | 11,321 |

## 26. Financial risks management policies and objectives (Continued)

*Foreign currency sensitivity analysis*

The following table details the Group's sensitivity to a reasonably possible change of 10% (2017: 10%) in Singapore dollar ("SGD") against Renminbi ("RMB"). 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.

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | **RMB'000** | **RMB'000** |
| **SGD** | | |
| Strengthens against RMB | (748) | (1,092) |
| Weakens against RMB | 748 | 1,092 |

**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.

| | **Within 1 year** | **1 to 5 years** | **Total** |
|---|---|---|---|
| | **RMB'000** | **RMB'000** | **RMB'000** |
| **Group** | | | |
| **2018** | | | |
| Financial assets | | | |
| Trade and other receivables | 3,171 | – | 3,171 |
| Cash and cash equivalents | 1,547 | – | 1,547 |
| | 4,718 | – | 4,718 |
| Financial liabilities | | | |
| Trade and other payables | 7,787 | – | 7,787 |
| Total net financial liabilities | (3,069) | – | (3,069) |
| **2017** | | | |
| Financial assets | | | |
| Trade and other receivables | 15 | – | 15 |
| Cash and cash equivalents | 3 | – | 3 |
| | 18 | – | 18 |
| Financial liabilities | | | |
| Trade and other payables | 11,389 | – | 11,389 |
| Total net financial liabilities | (11,371) | – | (11,371) |

## 26. Financial risks management policies and objectives (Continued)

**Liquidity risk (Continued)**

| | Within 1 year | 1 to 5 years | Total |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| **Company** | | | |
| **2018** | | | |
| Financial assets | | | |
| Trade and other receivables | 3,171 | – | 3,171 |
| Cash and bank balances | 1,547 | – | 1,547 |
| | 4,718 | – | 4,718 |
| Financial liabilities | | | |
| Trade and other payables | 7,714 | – | 7,714 |
| Total net financial liabilities | (2,996) | – | (2,996) |
| **2017** | | | |
| Financial assets | | | |
| Trade and other receivables | 15 | – | 15 |
| Cash and bank balances | 3 | – | 3 |
| | 18 | – | 18 |
| Financial liabilities | | | |
| Trade and other payables | 11,321 | – | 11,321 |
| Total net financial liabilities | (11,303) | – | (11,303) |

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.

## 27. 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.

*The fair values of applicable assets and liabilities, are determined and categorised using a fair value hierarchy as follows:*

*(a) Level 1 - the fair values of assets and liabilities with standard terms and conditions and which trade in active markets that the Group can access at the measurement date are determined with reference to quoted market prices (unadjusted).*

*(b) Level 2 - in the absence of quoted market prices, the fair values of the assets and liabilities are determined using the other observable, either directly or indirectly, inputs such as quoted prices for similar assets/liabilities in active markets or included within Level 1, quoted prices for identical or similar assets/liabilities in non-active markets.*

*(c) Level 3 - in the absence of quoted market prices included within Level 1 and observable inputs included within Level 2, the fair values of the remaining assets and liabilities are determined in accordance with generally accepted pricing models.*

*Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.*

Determination of fair value

The fair value of the unquoted 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, and trade and other payables, 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 at amortised cost approximate its fair values.

## 28. Capital management policies and objectives

The Group's Financial Controller ("FC") 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 FC is responsible for selecting and engaging such external experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and SFRS(I) 13 fair value measurement guidance.

## 28. Capital management policies and objectives (Continued)

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 internal 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 20, 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 2018 and 2017.

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

# STATISTICS OF SHAREHOLDINGS

As at 18 March 2019

| | | |
|---|---|---|
| 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 |
| Number of treasury share held | : | Nil |
| Number of subsidiary holdings held | : | Nil |

## DISTRIBUTION OF SHAREHOLDINGS

| SIZE OF SHAREHOLDINGS | NO. OF SHAREHOLDERS | % | NO. OF SHARES | % |
|---|---|---|---|---|
| 1 - 99 | 1 | 0.12 | 93 | 0.00 |
| 100 - 1,000 | 28 | 3.20 | 27,224 | 0.01 |
| 1,001 - 10,000 | 277 | 31.69 | 1,980,000 | 0.69 |
| 10,001 - 1,000,000 | 542 | 62.01 | 45,333,000 | 15.76 |
| 1,000,001 AND ABOVE | 26 | 2.98 | 240,254,583 | 83.54 |
| **TOTAL** | **874** | **100.00** | **287,594,900** | **100.00** |

## TWENTY LARGEST SHAREHOLDERS

| NO. | NAME | NO. OF SHARES | % |
|---|---|---|---|
| 1 | RAFFLES NOMINEES (PTE.) LIMITED | 47,531,000 | 16.53 |
| 2 | FAITH START HOLDINGS LIMITED | 47,500,000 | 16.52 |
| 3 | CITIBANK NOMINEES SINGAPORE PTE LTD | 45,995,895 | 15.99 |
| 4 | RHB SECURITIES SINGAPORE PTE. LTD. | 18,924,000 | 6.58 |
| 5 | DBS NOMINEES (PRIVATE) LIMITED | 15,370,497 | 5.34 |
| 6 | CROWN GALAXY HOLDINGS LIMITED | 15,000,000 | 5.22 |
| 7 | OCBC SECURITIES PRIVATE LIMITED | 11,409,000 | 3.97 |
| 8 | REBECCA THE | 5,477,000 | 1.90 |
| 9 | TTH CAPITAL PTE LTD | 3,000,000 | 1.04 |
| 10 | SINGAPORE ENTERPRISES PTE LTD | 2,595,000 | 0.90 |
| 11 | CHOO CHEE KIONG | 2,500,000 | 0.87 |
| 12 | HSBC (SINGAPORE) NOMINEES PTE LTD | 2,465,661 | 0.86 |
| 13 | CHOY PENG HA | 2,460,000 | 0.86 |
| 14 | WONG FOO HONG | 2,205,000 | 0.77 |
| 15 | BOON SUAN AIK | 2,192,000 | 0.76 |
| 16 | KOH PANG KIN | 1,987,000 | 0.69 |
| 17 | YIM WING CHEONG | 1,790,000 | 0.62 |
| 18 | TOMORROW PTE LTD | 1,700,000 | 0.59 |
| 19 | QUEK CHIN SOON | 1,665,000 | 0.58 |
| 20 | LAU LIAT PHEOW @ LOW LIAT PHEOW | 1,400,000 | 0.49 |
| | **TOTAL** | **233,167,053** | **81.08** |

## 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 [6] | 29,401,660 | 10.22 | – | – |
| LOYAL TEAM GROUP LIMITED [2] | – | – | 40,079,895 | 13.94 |
| CHEN ZHIZHONG [3] | – | – | 40,079,895 | 13.94 |
| CHEN QUE [3] | – | – | 40,079,895 | 13.94 |
| TRIUMPUS CAPITAL LTD | 22,969,000 | 7.99 | – | – |
| PU WEI DONG [4] | – | – | 23,029,000 | 8.01 |
| CROWN GALAXY HOLDLINGS LIMITED | 15,000,000 | 5.22 | – | – |
| JIANG PING [5] | – | – | 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) 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.

(3) 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 virture 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.

(4) 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.

(5) 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.

(6) 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 18 March 2019, 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 FIFTEENTH**
# ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifteenth Annual General Meeting of the Company will be held at Re!Fine Private Lounge, Level 1, Hotel Re!@Pearl's Hill, 175A Chin Swee Road, Singapore 169879, on Monday, 29 April 2019 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 2018 and the Directors' Statement and the Auditors' Report thereon. **Resolution 1**

2. To approve Directors' fees of S$100,000 for the financial year ending 31 December 2019. (2018: S$165,000) **Resolution 2**

3. To re-elect Mr Chew Heng Ching, a Director retiring by rotation pursuant to Article 107 of the Company's Constitution. *(See Explanatory Note)* **Resolution 3**

4. To re-appoint Messrs Mazars LLP as Auditors and to authorise the Directors to fix their remuneration. **Resolution 4**

5. 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 Resolutions:

6. 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 5**

   (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,

**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 and subsidiary holdings) 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 pursuant 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 and subsidiary holdings) 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 and subsidiary holdings) 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 Constitution 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

Wang Sen
Non-Executive Chairman

Singapore
12 April 2019

# **NOTICE OF FIFTEENTH**
# ANNUAL GENERAL MEETING

**Explanatory Notes:**

**Resolution 3**

Chew Heng Ching, Deputy Non-Executive Chairman, Chairman of the Audit Committee and Nomination Committee and a member of the Remuneration 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 5**

Resolution no. 5, 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 and subsidiary holdings) 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 and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) 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) A member of the Company ("**Member**") (other than a member who is a relevant intermediary) entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two (2) proxies to attend and vote on his/her behalf.

(b) A member who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such Member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

"**Relevant intermediary**" has the meaning ascribed to it in Section 181 of the Companies Act (Chapter 50) of Singapore.

(2) A proxy need not be a member of the Company.

(3) The instrument appointing a proxy or proxies that has been executed by a Member, together with the power of attorney or other authority (if any) under which it is signed (or a certified copy thereof), must be deposited at the registered office of the Company at 80 Raffles Place, #32-01 UOB Plaza, Singapore 048624, not less than 48 hours before the time set for holding the meeting.

**Personal Data Privacy**

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

# ADDITIONAL INFORMATION ON DIRECTOR SEEKING RE-ELECTION

Mr Chew Heng Ching is the Director seeking re-election ("**Retiring Director**") at the forthcoming annual general meeting of the Company to be convened on 29 April 2019.

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information relating to the Retiring Director as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST is set out below:

| | **CHEW HENG CHING** |
|---|---|
| Date of initial Appointment | 4 November 2011 |
| Date of last re-appointment | 24 November 2017 |
| Age | 67 |
| Country of principal residence | Singapore |
| The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process) | The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("NC") and has reviewed and considered the qualification, work experience and suitability of Mr Chew Heng Ching for re-appointment as Independent Non-Executive Director of the Company. The Board have reviewed and concluded that Mr Chew possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board. |
| Whether appointment is executive, and if so, the area of responsibility | Non-Executive |
| Job Title (e.g. Lead ID, AC Chairman, AC Member etc.) | Deputy Non-Executive Chairman, Lead Independent Director, Chairman of the Audit Committee, Chairman of the Nominating Committees and member of the Remuneration Committee. |
| Professional qualifications: | ● Bachelor of Industrial Engineering (1st Class Honours)<br>● Bachelor of Economics<br>● Honoray Doctorate in Engineering<br>● CPA Australia<br>● Fellow of the Singapore Institute of Director |
| Working experience and occupation(s) during the past 10 years | Mr Chew has more than 35 years of senior management experience in both the private and public sector. Mr Chew sits on the board of various publicly listed companies in Singapore and chairs their various board committees. |
| Shareholding interest in the listed issuer and its subsidiaries | Direct interest: 300,000 shares |
| any relationship (including immediate family relationships with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries | No |
| Conflict of Interest (including any competing business) | No |
| Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer | Yes |

<table>
<tr><td colspan="2">Other Principal Commitments* Including Directorships#<br>* “Principal Commitments” has the same meaning as defined in the Code.<br># These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(9)</td></tr>
<tr><td>Past (for the last 5 years)</td><td><u>Director of:</u><br>Lee Kim Tah Holdings Ltd<br>Chosen Holdings Limited<br>Stratech Systems Ltd</td></tr>
<tr><td>Present</td><td><u>Director of:</u><br>Ausgroup Ltd<br>Huan Hsin Holdings Ltd<br>Spindex Industries Ltd<br>Bonvests Holdings Ltd<br>Pharmesis International Ltd</td></tr>
<tr><td colspan="2">Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to the following question is “Yes”, full details must be provided.</td></tr>
<tr><td>(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?</td><td>No</td></tr>
<tr><td>(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?</td><td>No</td></tr>
<tr><td>(c) Whether there is any unsatisfied judgment against him?</td><td>No</td></tr>
<tr><td>(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?</td><td>No</td></tr>
<tr><td>(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?</td><td>No</td></tr>
</table>

| | | |
|---|---|---|
| (f) | Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, is representation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part? | No |
| (g) | Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust? | No |
| (h) | Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust? | No |
| (i) | Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity? | No |
| (j) | Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:–<br><br>(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or<br><br>(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or<br><br>(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or<br><br>(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere | No |

| | | |
|---|---|---|
| | in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust? | |
| (k) | Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere? | No |
| **Disclosure applicable to appointment of director only** | | |
| Any prior experience as a director of a listed company?<br>If yes, please provide details of prior experience.<br>If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable). | | N.A. This relates to the re-appointment of Director. |

**SINOPIPE HOLDINGS LIMITED**
(Incorporated in the Republic of Singapore)
(Company Registration Number: 200411382N)

**PROXY FORM – FIFTEENTH ANNUAL GENERAL MEETING**

**IMPORTANT:**

1. A relevant intermediary may appoint more than two (2) proxies to attend the Annual General Meeting of the Company.
2. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
3. This Proxy Form is not valid for use by CPF Investors and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, ______________________ (Name) 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)

| | | | |
|---|---|---|---|
| | | | |

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Annual General Meeting ("AGM") of the Company to be held at Re!Fine Private Lounge, Level 1, Hotel Re!@Pearl's Hill, 175A Chin Swee Road, Singapore 169879, on Monday, 29 April 2019 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 |
|---|---|---|---|
| 1. | To receive, consider and adopt the Audited Financial Statements for the financial year ended 31 December 2018 and the Directors' Statement and the Auditors' Report thereon. | | |
| 2 | To approve Directors' fees of S$100,000 for the financial year ending 31 December 2019. (2018: S$165,000) | | |
| 3 | To re-elect Mr Chew Heng Ching, who is retiring by rotation pursuant to Article 107 of the Company's Constitution. | | |
| 4. | To re-appoint Messrs Mazars LLP as Auditors and to authorise the Directors to fix their remuneration. | | |
| 5. | To authorise the Directors to allot/issue new shares. | | |

Dated this ________ day of ________________ 2019.

| Total number of Shares Held |
|---|
| |

______________________________
**Signature(s) or Common Seal of Member**

**IMPORTANT: PLEASE READ THE NOTES OVERLEAF**

**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 81SF of the Securities and Futures Act (Chapter 289) of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, 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 registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. (a) A member of the Company (other than a member who is a relevant intermediary) entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two (2) proxies to attend and vote on his behalf. Where a member appoints two (2) proxies, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of the proxy. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire number of shares entered against his name in the Depository Register and any second named proxy as alternate to the first named or at the Company's option to treat the instrument of proxy as invalid.

   (b) A Member who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such Member. Where such Member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "**Relevant intermediary**" has the meaning ascribed to it in Section 181 of the Companies Act (Chapter 50) of Singapore.

3. A proxy need not be a member of the Company.

4. 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.

5. The instrument appointing a proxy or proxies must be under the hand of the appointer or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of an officer or attorney duly authorised.

6. Where the instrument appointing a proxy is signed by an attorney, the letter or power of attorney or other authority, if any, or a duly certified copy thereof shall (failing previous registration with the Company) be stamped and be lodged with the instrument of proxy at the registered office of the Company, not less than 48 hours before the time for holding the meeting and/or any adjournment thereof at which the person named in the instrument proposes to vote and in default the instrument of proxy shall not be treated as valid.

7. 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, Chapter 50 of Singapore.

8. In the case of joint holders of shares, any one of such persons may vote, but if more than one of such persons is present at the AGM, the person whose name stands first on the Register of Members or (as the case may be) in the Depository Register shall alone be entitled to vote.

9. Any alteration made to the instrument of proxy should be initialed by the person who signs it.

**General:** The sending of a Proxy Form by a Member does not preclude him from attending and voting in person at the meeting if he finds that he is able to do so. In such event, the relevant Proxy Forms will be deemed to be revoked. The Company shall be entitled to reject an instrument appointing a proxy or proxies if it is incomplete, improperly completed, illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified on the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject an instrument appointing a proxy or proxies lodged if the member, being the appointer, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.

**Personal Data Privacy:** By submitting an instrument appointing a proxy(ies) and/or representative(s), the Member accepts and agrees to the personal data privacy terms set out in the Notice of AGM.

SINOPIPE HOLDINGS LIMITED
中国管业控股有限公司
Company Registration Number: 200411382N

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