The Right Direction

Annual Report 2007

LINKHI

Link Hi Holdings Limited

contents

Corporate Profile

As a steel piping solutions specialist, Link Hi Holdings Limited ("the Company" or "Link Hi") specializes in custom-made precision steel pipes that links oil & gas wells to production facilities, as well as for automotive and machinery use.

Listed on the Catalist (formerly known as SGX-SESDAQ) in May 2006, the Company is based in Wuxi, China an economically thriving region served by a good transportation network with easy access to the major cities of Shanghai, Suzhou and Hangzhou. We operate through our wholly-owned subsidiaries "Wuxi Fastube" and "Fastube Energy" as well as 55% owned subsidiary "Dingyuan", exporting our products to Canada, United States, Europe and Asia as well as for domestic use in China.

Unlike generic pipes commonly used to transport fluids, the Company's high-end precision welded and seamless steel pipes are crafted to meet the exacting standards, quality and durability demanded for sensitive engineering applications, including the piping and casing used under the oil wells in the onshore and offshore oil extraction process, housings for shock absorbing systems, drive shafts and exhaust systems in vehicles, and for machine manufacturing equipment.

Link Hi's precision seamless steel pipes conform to internationally known standards such as the American Petroleum Institute (API), ISO, American Society for Testing and Materials (ASTM) and the Chinese National Standards (GB). Link Hi has been qualified as Approved Supplier by Wuhan Boiler, PRC's fourth largest manufacturer of boilers for power generation and by PetroChina, subsidiary of China National Petroleum Corporation, China's largest producer of crude oil and gas.

Link Hi's steel pipes are custom-made to different shapes and sizes to meet the changing demands of the customers. Fastube Energy was set up with the main purposes of R&D and to provide more value-added services. The department is now collaborating with China's biggest oil pipe technology research institute, CNPC Research Institute of Tubular Goods to enhance its technology.

Set up with the main purposes of R&D and to provide more value added services to cater to the oil & gas sectors, our 100% owned Fastube Energy, has commenced operations in the processing of steel pipes and tubes produced by Wuxi Fastube and Dingyuan.

LINK HI HOLDINGS LIMITED

Annual Report 2007

SUSTAINABLE DEVELOPMENT

Milestones

January 2007	New subsidiaries added to the Group upon effective completion of acquisition of Total Boost Enterprises Limited and Wuxi Dingyuan Precision Cold-drawn Steel Pipe Co., Ltd ("Dingyuan") on 31 December 2006.
January 2007	Incorporated a wholly-owned subsidiary known as Wuxi Fastube Energy Development, Science and Technology Co., Ltd in Wuxi, the People's Republic of China, for purposes of carrying out research and development, design, manufacture and sale of steel pipes, equipment and facilities for use in oil exploration.
March 2007	Wuxi Fastube Energy Development, Science and Technology Co., Ltd changed its name to Wuxi Fastube Energy Development Technology Co., Ltd ("Fastube Energy").
April 2007	Line 355 commenced production.
May 2007	Fastube Energy started its first threading line.
September 2007	Link Hi Holdings Limited ("Link Hi") signed Sales Collaboration Agreement ("Agreement") with Weifang Steel Canada Limited ("Weifang") based in Edmonton, Canada.
December 2007	Dingyuan qualified as a supplier to Wuhan Boiler Company Limited ("Wuhan Boiler") in China. Wuhan Boiler is a subsidiary of Euronext-Paris-listed ALSTOM Limited, a global leader in equipment and services for power generation and rail transport with current market capitalization of 19.7 billion EURO. In FY2006, Wuhan Boiler recorded total revenue of RMB 2,289 million.
January 2008	Dingyuan changed its name to Wuxi Dingyuan Precision Steel Pipe Co., Ltd.
January 2008	Dingyuan commenced hot-rolled seamless pipe production.
February 2008	Fastube Energy started its second threading line.
March 2008	Fastube Energy qualified as a supplier to PetroChina Company Limited ("PetroChina"). PetroChina, the listed arm of state-owned China National Petroleum Corporation ("CNPC") is the largest producer of crude oil and gas in China, as well as one of the largest oil companies in the world. In 2007, PetroChina's crude oil and natural gas output reached 839 million barrels and 1.63 trillion cubic feet respectively.

Moving forward, we feel that the most exciting growth area is still the oil & gas industry, with a lot of potential for us to reap from.

Letter to Shareholders

For the financial year ended 31 December 2007, Link Hi recorded total revenue of RMB778.5 million, representing an increase of 133 percent compared to RMB333.7 million in FY2006.

GONG HAITAO
Chairman

Letter to Shareholders

Dear Shareholders

FY2007 has been a challenging year for Link Hi as we encountered unprecedented difficulties in the course of our daily business. These included rising raw material prices, reduction of export tax rebates in China, appreciation of Renminbi, and trade protection measures imposed by the United States. Despite these numerous challenges, we are pleased to announce that Link Hi remained profitable in FY2007.

During the year, we also embarked on various expansion projects through organic growth and strategic acquisition, starting with the successful acquisition of 55% stake in Wuxi Dingyuan Precision Steel Pipe Co., Ltd (Dingyuan) and the incorporation of Wuxi Fastube Energy Development Technology Co., Ltd (Fastube Energy).

OPERATION OVERVIEW

For the financial year ended 31 December 2007, Link Hi recorded total revenue of RMB778.5 million, representing an increase of 133 percent compared to RMB333.7 million in FY2006. The significant increase is mainly attributable to maiden contributions from Dingyuan and Fastube Energy.

However, our gross profit margin dropped by 5.7 percentage points from 9.4% to 3.7%. With effect from 1 July 2007, the PRC government cut export tax rebate for seamless steel pipes from 13% to 5% and removed rebates for welded steel pipes entirely. Coupled with the increase in costs for raw materials, labour and freight, the gross profit margin was invariably affected.

Profit after tax attributable to shareholders declined by 70% to RMB7.0 million, especially due to lower profit contribution by Wuxi Fastube on welded pipes.

We are fortunate to remain profitable, considering the significant rise in raw material and energy costs that were not passed on to our customers due to stiff competition.

OUR MILESTONES FOR FY2007

We made a number of notable achievements in the year:

Wuxi Dingyuan Precision Steel Pipe

- In January 2007, we announced an acquisition of a 55 per cent interest in Wuxi Dingyuan Precision Steel Pipe Co., Ltd (Dingyuan), a seamless steel pipe manufacturer for RMB23.8 million (S$4.7 million). A profitable company, its products are used in a wide range of applications for industries such as petrochemical, boiler, mechanical, construction, electric power, textile and more, diversifying our Group's product offering beyond welded steel pipes to seamless steel pipes. Since the acquisition, Dingyuan has raised our Group's total production capacity and has contributed positively to our revenue growth.
- Through Dingyuan, Link Hi has qualified as a supplier to Wuhan Boiler Company Ltd (Wuhan Boiler), China's fourth largest manufacturer of boilers for power generation. Having met stringent specifications required for boilers, we believe that the qualification will open opportunities to work with other major players in the energy sector. China has been experiencing severe strain on power supply for the past few years. As a result, there is strong impetus for new power plant construction in various regions, creating opportunities in the power generation sector.

Wuxi Fastube Energy Development Technology

- Set up with the main purposes of R&D and to provide more value added services to cater to the oil & gas sectors, our 100% owned Fastube Energy, has commenced operations in the processing of steel pipes and tubes produced by Wuxi Fastube and Dingyuan.
- With further plans for Fastube Energy to expand from R&D to design, manufacture and distribution of steel pipes for use in oil exploration, the Group has also been collaborating with the China's biggest oil pipe technology research institute, CNPC Research Institute of Tubular Goods to enhance its technology, and also possibly to produce new products like drill pipes.

Line 355

- Our new production line, Line 355 started production in April 2007. It is capable of producing round welded steel pipes of up to 355m diameter and 12mm thick for use in the oil & gas sectors. Its indicative capacity of 60,000 to 100,000 tonnes per year has significantly increased the Group's production capacity and product range.

Letter to Shareholders

Overseas Markets and Non-Automotive Sectors

- In November 2007, the Group entered into a Sales Collaboration Agreement with Weifang Steel Canada Ltd (Weifang). We expect sales to Weifang, whose customers are mainly in the oil and gas industry, to exceed 20,000 tonnes in FY2008. Other key export markets include the US and European Union countries.

- The strong growth in the oil and gas and machinery/equipment sectors supported our strategy of channeling more resources to these sectors. Except for Fastube Energy and Line 355 which commenced production in April 2007, we operated at close to optimum levels throughout FY2007 with most our lines running at two eight-hour shifts a day, seven days a week.

- Coupled with the qualification to supply to Wuhan Boiler, we expect to see significant revenue contribution from the boiler industry in FY2008.

Strategic Response

Given the difficult operating environment, we will adopt the following strategies to sustain the group's growth in 2008:

- Offering a wider suite of value-added services to our customers, as well as to improve production process efficiency. We have set up a second line for pipe threading and up-setting in February 2008 and a new drill pipe line has been scheduled to be ready by end of FY2008.

  In January 2008, we announced the commencement of our new hot-rolled production line for seamless pipes at Dingyuan, which is more cost efficient than the existing cold-drawn method. Our new furnace for pipe upgrading and annealing has also already begun operation, since end of March 2008. We will continue to seek alternative methods to enhance our current production processes.

- Increasing domestic sales channels. With cuts in China export tax rebates, possibility of countervailing duties being imposed by US and slow down of the US economy, we will be channeling more attention to the domestic PRC market. We are pleased to announce that we have been qualified to supply to Wuhan Boiler, China's fourth largest manufacturer of boilers, and also to PetroChina, subsidiary of China National Petroleum Corporation, China's largest producer of crude oil and gas. We are also working to supply directly to other major oil companies in China.

- Diversify export markets. To overcome export challenges to the US, the Group will explore setting up representative offices or companies in South America, Middle East, South East Asia and Africa.

We saw more volatility in steel prices in 2007. As steel is the main raw material for our pipes, our major challenge will be in managing the increasing steel prices. We will be closely monitoring the price trends and also working out ways to pass on the rising costs to our customers. Producing more value-added products and services is one of the ways in reducing sensitivity to fluctuation in steel prices.

Moving forward, we feel that the most exciting growth area is still the oil & gas industry, with a lot of potential for us to reap from. As such, we will continue to focus our resources in growing this particular segment, with our target of the oil & gas segment contributing more than 50% to our revenue.

SUMMARY

The operating environment will continue to be challenging. Steel prices are expected to rise further as iron ore prices are showing an uptrend. As the United States implement import tax duties on steel pipes, and with the possibility of the Chinese government removing all export tax rebates, our export challenges are further compounded with the continued appreciation of Renminbi.

In response to these challenges, we will be focusing on providing high value-added products and services, increase domestic sales channels to major local oil & gas players, and also to explore new markets in the Middle East and South America.

The Group is still committed to grow our steel tube business despite these challenging conditions and we believe that these strategies will be appropriate to sustain its growth.

A WORD OF THANKS

We would like to acknowledge the efforts of all who have contributed to positively to our Group. To our Directors, we want to thank you for your invaluable guidance during the past year. To our suppliers and customers, thank you, and we look forward to your continued support. To our staff, thank you for all your hard work. And not least of all to our shareholders, thank you for your patience. We are totally committed to building a bigger and stronger Link Hi.

GONG HAITAO
Chairman

GONG YUCAI
Chief Executive Officer

Letter to Shareholders

We will be focusing on providing high value-added products and services, increase domestic sales channels to major local oil & gas players, and also to explore new markets in the Middle East and South America.

GONG YUCAI
Chief Executive Officer

Directors' Profile

1. Gong Haitao is our Chairman and Non-Executive Director. He was appointed a Director of our Company on 30 June 2005. He founded the Sujia Group Co in 1986 and is currently the chairman of the Sujia Group Co. He is responsible for the overall management of the Sujia Group Co. Mr Gong is a senior high school graduate. He holds the technical title of a senior economist.

2. Gong Yucai is our Chief Executive Officer and was appointed our Director on 22 October 2004. Mr Gong is responsible for establishing the strategic directions of our Group as well as the overall management and operation of our business. He was the general manager overseeing the overall operation of Sujia Trading Est. a company incorporated in the United Arab Emirates for the period from 1997 to 1999. Thereafter, he left Sujia Trading Est. to pursue further studies in Canada. In 2001, he returned to the PRC and was appointed to the position of director in Wuxi Sujia. Mr Gong is a permanent resident of Canada. He graduated from York University, Canada with a Master's Degree in Business Administration.

3. Tai Hongwei is our Non-Executive Director. She was appointed a Director of our Company on 7 May 2007. Ms Tai started her career as a Finance manager with Wuxi Yugang Industry Company. Between 1997 and 1999 she was the Chief Accountant of Wuxi Maowang Wool Co., Ltd and between 1999 and 2001 she was the Finance Manager of Wuxi Xinbao Trading Co., Ltd. She then joined Wuxi Donghua Certified Public Accountants where she was a Project Manager for four years. In 2006 she joined Jiangsu Sujia Group Co., Ltd as its Chief Financial Officer, responsible for all financial, accounting and taxation matters of the Jiangsu Sujia Group of companies.

4. Lim Chin Tong is our Lead Independent Director. He was appointed a Director of our Company on 30 June 2005. He is currently an Executive Director of Manufacturing Integration Technology Ltd. Mr Lim also sits on the Boards of several other SGX-listed companies such as FibreChem Technologies Ltd, Metal Component Engineering Ltd and Valuetronics Holdings Ltd. In the academic arena, Mr Lim serves on the Board of Governors of Nanyang Polytechnic and School Advisory Committee of Ahmad Ibrahim Primary School. Mr Lim has a Bachelor of Science (Honours) degree from the University of Leeds (UK) and a Diploma in Business Administration from NUS. In addition, he attended the Program for Management Development at the Harvard Business School.

5. Seow Han Chiang, Winston is our Independent Director. He was appointed a Director of our Company on 30 June 2005. Mr Seow is currently a partner with Khattar Wong & Partners, a Singapore law firm. He was called to the Singapore Bar in 1995 and has been a practising advocate and solicitor of the Supreme Court of Singapore since then. He holds a Bachelor of Law (Honours) degree from the National University of Singapore.

In November 2007, the Group entered into a Sales Collaboration Agreement with Weifang Steel Canada Ltd (Weifang).

Executives' Profile

Jiang Zhihong is our Chief Financial Officer. Mr Jiang is responsible for the overall financial, accounting, risk management and internal control functions of the Group. Mr Jiang, who has a Master of Economics from Renmin University of China, is also a qualified Certified Public Accountant, Certified Internal Auditor and a Registered Tax Agent in the PRC. Before joining Link Hi, he was Chief Investment Officer of the Sujia Group Co., Ltd in Wuxi, PRC where he was responsible for investment and financial matters. Mr Jiang started his career in 1992 as an accountant in a traditional Chinese medicine manufacturing company and moved on to become an audit manager and subsequently the Head of Internal Audit in a number of securities, brokerage and asset management companies in the PRC.

Wang Jiandong is the General Manager of Wuxi Fastube. He is responsible for the overall operations of Wuxi Fastube, including its production, sales and financial functions. Between 1986 and 1998 he held various posts as Factory supervisor, engineer and Deputy General Manager with a few big petroleum steel pipe companies responsible for setting up and running steel wire and steel pipe plants. From 1998 to 2003 he was a Factory Manager with Baoji Petroleum Steel Pipe Co., Ltd. He was a General Manager with Shanghai Zhongyou TIPO Steel Pipe Co., Ltd. for more than two years before he joined us in 2008. Mr Wang graduated from Shanxi University of Technology with a Degree in Mechanical Engineering and holds a Master in Business Management from Xi'an Jiaotong University.

Pan Baochang is the Deputy General Manager of Fastube Energy responsible for the setting up the threading line for oil and gas pipes. After graduating from the Shanxi Chemical Engineering School in 1984 he joined Shaanxi Hongxing Chemical Co., Ltd as a technician in the Quality Control Department. For more than three years beginning 1987 he worked for Baoji Petroleum Steel Pipe Co., Ltd ("Baoji"), in charge of setting up the Environment Protection and Monitoring Centre. He then completed a three year course in the Department of Analytical Chemistry in Northwest University before he re-joined Baoji in 1993 where he was in charge of setting up production lines for the coupling of casing. He was promoted to head the OCTG Technical department in 2001 and to Factory Manager of the Casing Department in 2004. He worked briefly in Masite Chemical Co., Ltd before joining us in late 2006 to set up Fastube Energy.

Wang Cheng is the General Manager of Dingyuan and Fastube Energy. He is responsible for the overall operations of the Dingyuan and Fastube Energy, including production, sales and financial functions. Mr Wang graduated from the Shenyang Metallurgical Machine Technological Academy in 1986. Between 1986 and 1993 he worked for Wuxi Iron & Steel Co., Ltd as a technician in its Sifang Steel Pipes Factory. He then joined Wuxi Seamless Steel Tube Co., Ltd in 1993 as a Technical Manager and was promoted to Deputy General Manager in 2004. He joined Dingyuan in 2005.

The operating environment will continue to be challenging. Steel prices are expected to rise further as iron ore prices are showing an uptrend.

Corporate Information

BOARD OF DIRECTORS

Executive:

Gong Yucai
Chief Executive Officer

Non-executive:

Gong Haitao
Chairman

Xue Haoxin
Non-independent Director (Resigned on 7 May 2007)

Tai Hongwei
Non-independent Director (Appointed on 7 May 2007)

Lim Chin Tong
Independent Director

Seow Han Chiang, Winston
Independent Director

PRINCIPAL BANKERS

United Overseas Bank Limited
Agricultural Bank of China
Bank of Communications
China Citic Industrial Bank
China Construction Bank
China Merchant Bank

AUDIT COMMITTEE

Lim Chin Tong	Chairman
Seow Han Chiang, Winston	
Tai Hongwei	

NOMINATING COMMITTEE

Lim Chin Tong	Chairman
Seow Han Chiang, Winston	
Gong Haitao	

REMUNERATION COMMITTEE

Seow Han Chiang, Winston	Chairman
Lim Chin Tong	
Gong Haitao	

COMPANY SECRETARY

Hazel Chia, FCIS

REGISTERED OFFICE

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Fax : 6329 9669
Website : www.linkhiholdings.com

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Jiangsu Province, PRC 214151

Wuxi Dingyuan Precision Steel Pipe Co., Ltd
Qianqiao Industrial Park, Qianqiao Town
Huishan District, Wuxi City
Jiangsu Province, PRC 214151

Wuxi Fastube Energy Development Technology Co., Ltd
Huishan Economic Development District, Qianqiao Town
Huishan District, Wuxi City
Jiangsu Province, PRC 214151

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.
3 Church Street #08-01
Samsung Hub
Singapore 049483

AUDITORS

Foo Kon Tan Grant Thornton
47 Hill Street #05-01
Singapore Chinese Chamber of Commerce &
Industry Building
Singapore 179365

AUDIT PARTNER-IN-CHARGE

Yeo Boon Chye
(since FY2005)

The initial public offering of the shares in the capital of Link Hi Holdings Limited was sponsored by NRA Capital Pte. Ltd.

Our new production line, Line 355 started production in April 2007, and already maiden revenue contributions have been made to the company.

Business & Financial Review

In FY2007, Group revenue grew 133% to RMB779 million. Average selling prices were higher due to higher steel prices. The growth in revenue was due mainly to maiden contributions from the Group's new subsidiaries, Dingyuan and Fastube Energy which amounted to RMB444 million and RMB4 million respectively.

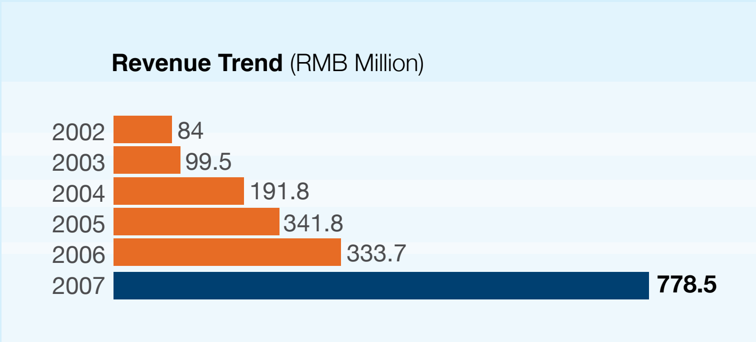
Business & Financial Review

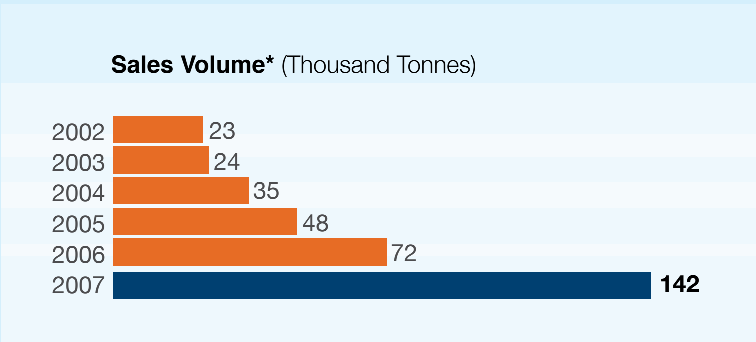
In FY2007, Group revenue grew 133% to RMB779 million. Average selling prices were higher due to higher steel prices. The growth in revenue was due mainly to maiden contributions from the Group's new subsidiaries, Dingyuan and Fastube Energy which amounted to RMB444 million and RMB4 million respectively.

As the demand for seamless steel pipes exceeded that for welded steel pipes, revenue from Wuxi Fastube decreased by RMB3 million compared to FY2006 as total tonnage sold by Wuxi Fastube dropped by approximately 1,980 tonnes for the same period. Its export sales decreased by RMB1.0 million due partly to the strengthening of Renminbi while its domestic sales dropped due to the change in focus to exports previously.

Sales to overseas markets constituted approximately 43% of the total revenue while domestic market made up the remaining 57%.

The United States together with Canada remained the Group's largest export market, contributing 20% of total revenue. Another key export market included India.





* exclude raw materials

Profit down 34% to RMB15 million

Gross profit dropped 9% from RMB31.4 million to RMB28.5 million on the back of stronger sales, while gross profit margin declined by 5.7 percentage points to 3.7%. The gross margin decline was the result of reduced tax rebate on seamless pipe export from 13% to 5% and a total removal of tax rebate on welded steel pipes export, other than oil & gas steel pipes. The increase in costs in raw materials, freight, salaries and other manufacturing costs not passed on to customers also contributed to the decline of the gross profit margin. Other Operating Income rose 239.5% to RMB32.0 million, which was attributable largely to the sale of scrap materials by Dingyuan.

The purchase acquisition of Total Boost Enterprises Ltd and hence 55% stake in Dingyuan was based on the net asset value (NAV) of Dingyuan as at 30 June 2006. The completion of the acquisition was on 31 December 2006, and by the date, the NAV of Dingyuan had increased due to profit generated in 2H2006. This resulted in a negative goodwill or other income of RMB12.0 million for Link Hi.

Distribution expenses increased by RMB5.3 million due mainly to higher sales commission of RMB1.6 million for certain export sales and the distribution expenses incurred by Dingyuan which amounted to RMB3.5 million.

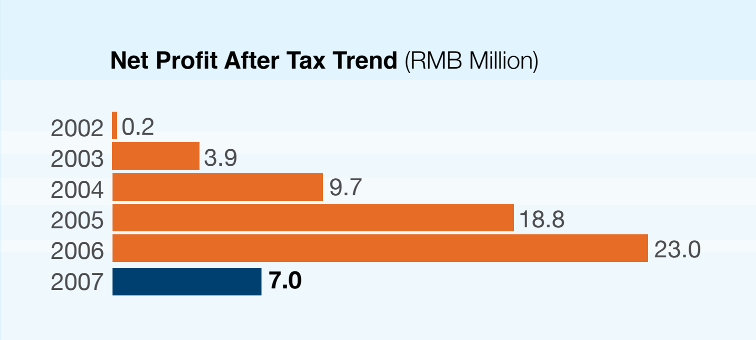
Higher administrative expenses amounting to RMB31.9 million were incurred during the year. The RMB21.4 million increased compared to FY2006 is mainly due to Dingyuan and Fastube Energy which contributed RMB17.0 million of the increase. Wuxi Fastube's administrative expenses also increased by RMB2.7 million, mainly due to RMB0.1 million housing fund contribution for its employees, increase in land use tax of RMB0.2 million, exchange loss of RMB0.7 million due to the strengthening of Renminbi against the US Dollar, higher export insurance of RMB0.8 million, and increase in salaries of RMB0.8 million due to more headcount.

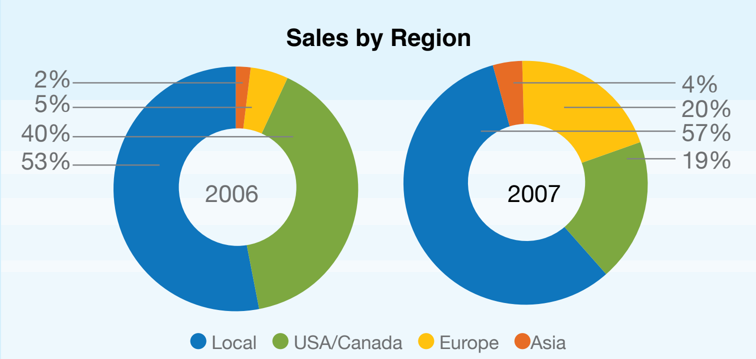
Business & Financial Review

Finance costs too went up to about RMB 12.7 million from RMB 3.3 million previously due to the increase in bank borrowings as well as the increase in interest rates. The bank loans were to finance Line 355, a new factory to house the new line and the construction of the new hot-rolled production facilities. The amortized cost on interest on advances from related parties amounted to RMB 0.8 million.

Although the tax free status for Wuxi Fastube and Dingyuan had ended on 31 December 2006, both subsidiaries continue to enjoy a reduced tax rate of 12% from FY2007 to FY2009. This rate represents a 50% reduction from the normal tax rate of 24%. For FY2007, the tax expense incurred relates to Dingyuan only. The other companies in the Group had no taxable income in FY2007.

The result was a 69.6% decline in net profit attributable to shareholders from RMB 23.0 million to RMB 7.0 million in FY2007.





The year ahead

FY2008 looks set to be a challenging year for Link Hi:

- Steel prices are expected to rise further as iron ore prices are showing an up trend.
- The United States of America recently implemented import tax duties on steel pipes. The European Union might follow with the same import tax duties.
- Continue appreciation of Renminbi.
- Possibility of the PRC government removing all export tax rebates.

Diversification, value-add services and improve production efficiency

To widen our product and value-add service offerings, we have set up a second line for threading and up-setting in February 2008 and are currently in preparation for a new production line for drill pipes which is to be ready by end FY2008. We are also exploring possible alternatives that could enhance production efficiency. In January 2008, we announced the commencement of our new hot-rolled production line for seamless pipes. This new production process is more cost efficient than the existing cold-drawn method as it reduces average production cost by 3%. The hot-rolled process is also more environmentally friendly as it reduces pollution from acid-wash. Our new furnace for pipe upgrading and annealing has also begun operation since March 2008. We will continue to seek ways to enhance our other production processes to increase overall operation efficiency and to reduce cost of production for our products.

Increasing domestic sales

For FY2008, the Group will be looking at increasing domestic sales. In response to cuts in export tax rebates for welded and seamless steel pipes, the possibility of export tax being imposed, the slowing down of the US economy, and import tax duties imposed by the US, we will be delegating greater focus on the domestic market. Till date, we have already secured rights to supply to PetroChina Company Limited and Wuhan Boiler Company Limited. At present moment, we are working to secure more such rights to supply directly to other major oilfields in China.

Increase overseas sales channels

To decrease dependence on the US market and to overcome export challenges, the Group will be looking at setting up representative offices or companies in South America, Middle East, South East Asia and Africa to diversity our overseas markets. The Group is currently exploring the possibility of strategic partnerships with distributors or counterparts in Kazakhstan and Saudi Arabia.

Financial Highlights

Income Statement Highlights

	FY2007	FY2006
	RMB'000	RMB'000
Revenue	778,523	333,727
Gross profit	28,521	31,433
Gross profit margin	3.7%	9.4%
Profit before tax	17,665	23,015
Profit after tax (PAT)	15,193	23,015
Profit after tax attributable to shareholders	7,034	23,015
PAT margin	2.0%	6.9%

Balance Sheet Highlights

	FY2007	FY2006
	RMB'000	RMB'000
Non-current assets	267,279	78,730
Current assets	250,275	149,965
Total assets	517,554	228,695
Current liabilities	241,219	61,538
Equity attributable to shareholders of the Company	124,083	117,157

Cash Flow Highlights

	FY2007	FY2006
	RMB'000	RMB'000
Cash Flows (used in)/from Operating Activities	(24,592)	2,369
Cash Flows used in Investing Activities	(138,648)	(61,708)
Cash Flows from Financing Activities	150,220	58,570
Net decrease in cash and cash equivalents	(13,020)	(769)
Cash and cash equivalents at end of year	27,950	40,970

Key Statistics

	FY2007	FY2006
Earnings per share(1) (RMB cents)	5.63	24.42
Net tangible assets per share(2) (RMB cents)	99.27	124.31
Return on assets(3)	2.9%	10.1%
Return on equity(4)	11.3%	19.6%
Current ratio(5)	1.04 times	2.44 times
Gearing ratio(6)	1.04 times	0.68 times
Weighted average number of shares	125,000,000	94,246,576

(1) Earning per share is computed based on net profit attributable to the Group divided by the weighted average number of shares

(2) Net tangible assets per share is computed based on the Shareholders' Equity divided by the weighted average number of shares

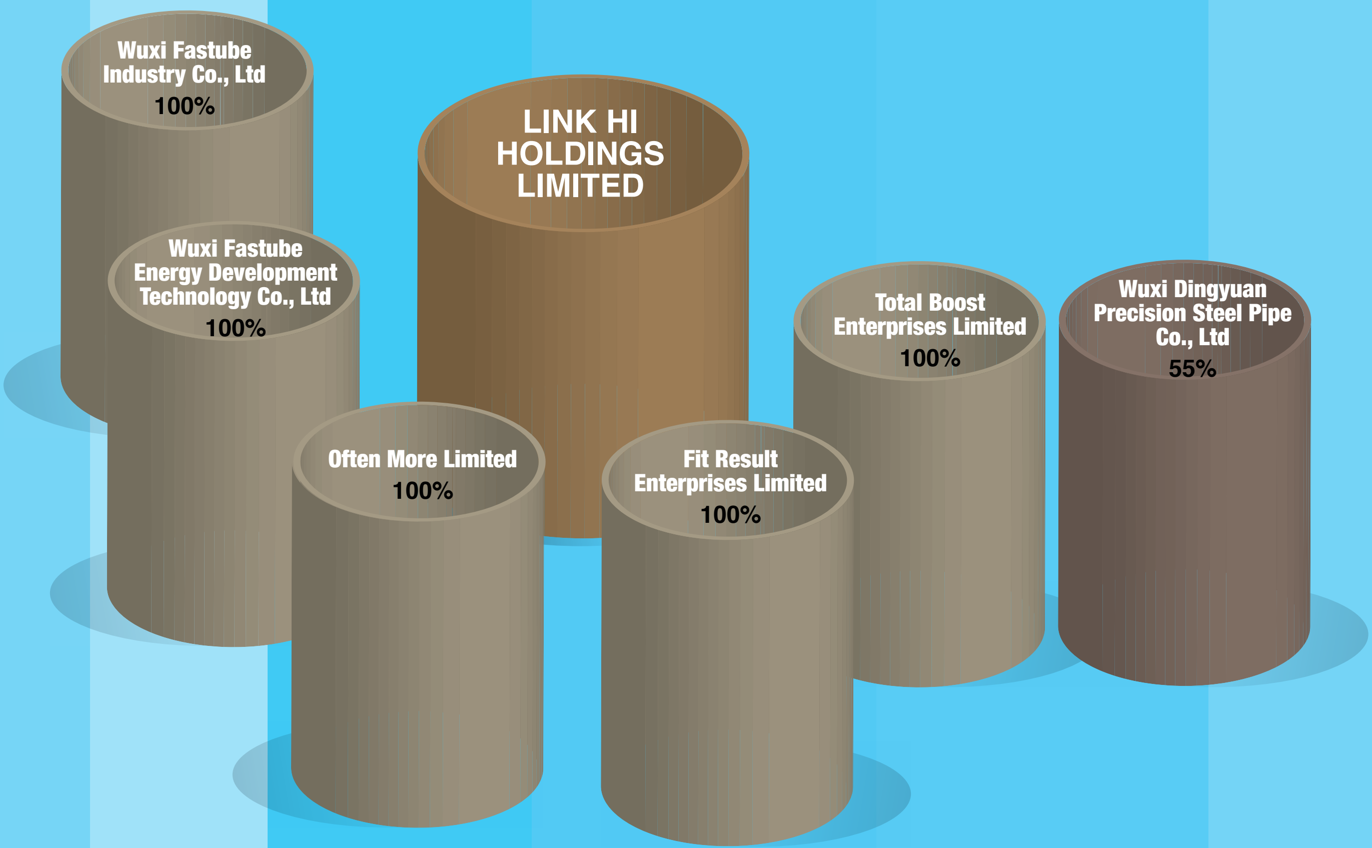
(3) Return on assets is defined as net profit after tax divided by total assets

(4) Return on equity is defined as net profit after tax divided by total equity

(5) Current ratio is defined as total current assets divided by total current liabilities

(6) Gearing ratio is defined as total bank borrowings less cash and cash equivalents divided by total equity

Group Structure



financial contents

Corporate Governance Report

The Board is committed to maintaining a high standard of corporate governance within the Group. The Board confirms that it has adhered to the principles and guidelines as set out in the new Code of Corporate Governance 2005 ("the Code") issued by the Council on Corporate Disclosure and Governance ("*CCDG*").

This report describes the Company's corporate governance practices with specific reference to the principles of the Code.

BOARD MATTERS

Principle 1: Board's Conduct of its Affairs

The Board of Directors (the "Board") oversees the business and corporate affairs of the Group.

The Board's role includes:

(i) reviewing and approving the strategic plans, major objectives, investing and funding activities
(ii) approving the compensation policies for senior management
(iii) reviewing and monitoring the Group's performance

The Board objectively takes decisions in the interests of the Company. To assist in the execution of its responsibilities, the Board has established the Audit Committee ("AC"), Remuneration Committee ("RC") and Nominating Committee ("NC").

The approval of the Board is required for any matters which is 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 Board conducts regular scheduled meetings at least twice a year to review the strategic policies of the Group, significant business transactions, performance of the business and approve the release of the half-yearly and year-end results As and when required, additional Board meetings are also held to address significant transactions or issues that arise.

The Company's articles provide for meetings to be held via telephone and video-conferencing through which all persons participating in the meetings can communicate with each other simultaneously and instantaneously.

Details of board and board committee meetings held during the financial year ended 31 December 2007 and members' attendance are summarized in the table below:

Meeting	Board	Audit Committee	Nominating Committee	Remuneration Committee
Total held in FY2007	**2**	**3**	**1**	**1**
Gong Haitao	2	NA	1	1
Gong Yucai	2	NA	NA	NA
Xue Haoxin[1]	1	1	NA	NA
Tai Hongwei[2]	1	2	NA	NA
Lim Chin Tong	2	3	1	1
Seow Han Chiang, Winston	2	3	1	1

Notes :

1. Xue Haoxin resigned as a Non-executive Director of the Company on 7 May 2007
2. Tai Hongwei was appointed as a Non-executive Director of the Company on 7 May 2007

Corporate Governance Report

Directors are kept informed on the relevant new laws, regulations and changing commercial risks, from time to time. Newly appointed directors would be provided with background information on the Group's history, business operations and policies.

Principle 2: Board Composition and Guidance

The Board comprises:

Executive Director

Gong Yucai (Chief Executive Officer)

Non-Executive Directors

Gong Haitao	(Non-executive Chairman & Non-Independent Director)
Tai Hongwei	(Non-executive and non-independent Director)
Lim Chin Tong	(Non-executive and Lead Independent Director)
Seow Han Chiang, Winston	(Non-executive and Independent Director)

The Nominating Committee reviews the independence of directors on an annual basis and adopts the Code of what constitutes an independent director.

The Board is of the view that its current size of five directors is appropriate, taking into account the scope and nature of the operations of the Group. The current board comprises persons who as a group provide core competencies necessary to meet the Company's objectives.

Non-executive Directors contribute to the Board process by monitoring and reviewing Management's performance against goals and objectives. Their views and opinions provide alternative perspectives to the Group's business. When challenging Management proposals, or decisions, they bring independent judgement to bear on business activities and transactions involving conflicts of interests and other complexities.

Principle 3: Chairman and Chief Executive Officer

The Group's Chairman, Mr Gong Haitao, is the father of Mr Gong Yucai, who is the Chief Executive Officer ("CEO") of the Group.

The CEO, assisted by the senior management, is responsible for the day to day operations of the Group. He also executes the strategic plans set out by the Board and ensures that the Directors are kept updated and informed of the Group's business.

The Chairman, ensures that board meetings are held when necessary, sets the board agenda (in consultation with the CEO), and ensures that Directors are provided with complete, adequate and timely information. He also assists in ensuring compliance with the Company's guidelines on corporate governance.

Notwithstanding the relationship between the Chairman and the CEO, the Directors are of the view that there are sufficient safeguards and checks to ensure that the process of decision by the Board is independent and are based on collective decisions without any individual exercising any considerable concentration of power or influence. Furthermore, all the committees are chaired by independent directors. In line with the recommendations in the Code of Corporate Governance 2005, Mr Lim Chin Tong has been appointed the Lead Independent Director of the Company to address the concerns, if any, of the Company's shareholders.

Corporate Governance Report

Principles 4 & 5 : Board Membership & Performance

The NC, regulated by a set of written terms of reference, comprises mainly independent directors:

Lim Chin Tong (Chairman)
Seow Han Chiang, Winston
Gong Haitao

The principal functions of the NC are:

- review nominations for the appointment and re-appointment to the Board;
- ensure that all directors submit themselves for re-nomination and re-election at regular intervals;
- evaluate the performance of the Board as a whole;
- review and evaluate whether or not a director is able to and has been adequately carrying out his/her duties as director of the Company, particularly when he/she has multiple Board representations; and
- review on an annual basis the independence of directors.

For the year under review, the NC evaluated the Board's performance as a whole. The assessment process examines factors such as Board composition, information flow to the Board, Board procedures, Board Accountability, assessment of the CEO and standards of conduct of the Board members.

The NC has also put in place a process for selection and appointment of new directors. In selecting potential new directors, the NC will seek to identify the competencies required to enable the Board to fulfill its responsibilities. A Curriculum Vitae and other particulars/documents of the nominee or candidate will be given to the NC for consideration. The NC will evaluate the suitability of the nominee or candidate based on his qualifications, business and related experience, commitment, ability to contribute to the Board process and such qualities and attributes that may be required by the Board. Newly appointed directors would be issued with a letter of appointment, setting out the terms and conditions of his appointment.

All directors shall submit themselves for re-nomination and re-election at least once every three years. Pursuant to Article 89 of the Company's Articles of Association, one-third of the directors are to retire from office by rotation at the Company's Annual General Meeting ("AGM"). Article 85 provides that a CEO shall not be subject to retirement by rotation. Article 88 of the Company's Articles of Association provides that a director appointed during the year will hold office only until the next AGM and will be eligible for re-election.

Ms Tai Hongwei and Mr Seow Han Chiang, Winston are due to retire in accordance with the Company's Articles of Association Articles 88 & 89 respectively at the Company's forthcoming AGM and will be eligible for re-election.

Each member of the NC shall abstain from voting on any resolutions and making any recommendations and/or participating in any deliberations of the NC in respect of the assessment of his performance or re-nomination as director.

Key information regarding the directors is provided on page ___ of the Annual Report.

Principle 6: Access to Information

The Board has independent and separate access to the Senior Management and Company Secretaries. The Management provides the Board with adequate and timely information and updates on initiatives and developments for the Group's business whenever possible. The Company Secretary attends all Board meetings and meetings of the committees and ensures that the meetings are conducted in accordance with the Memorandum and Articles of Association of the Company and applicable rules and regulations are complied with.

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

The RC, regulated by a set of written terms of reference, comprises entirely non-executive directors:

- Seow Han Chiang, Winston (Chairman)
- Lim Chin Tong
- Gong Haitao

The RC is responsible for recommending to the Board a framework of remuneration for the Directors and key executives, and determines specific remuneration packages for the CEO. The recommendations of the RC will be submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits in kind shall be covered by the RC. Each member of the RC shall abstain from voting on any resolutions and making recommendations and/or participating in any deliberations of the RC in respect of his remuneration package.

When necessary, the Board may seek independent professional advice at the expense of the Company.

Principle 8: Level and Mix of Remuneration

In setting remuneration packages, the Company considers the pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of individual director.

The non-executive directors receive directors' fees, in accordance with their contributions, taking into account factors such as effort and time spent, responsibilities of the directors and the need to pay competitive fees to attract, retain and motivate such directors. Directors' fees are recommended by the Board for approval at the Company's AGM.

The executive directors do not receive directors' fees. The remuneration for the executive directors and the key senior executives comprise a basic salary component and a variable component, an annual bonus, based on the performance of the Group as well as their individual performance.

The service contract entered into with the CEO took effect from 1 January 2006 for an initial period of three years. Upon the expiry of the initial period, the appointment shall automatically continue for an indefinite period until terminated by either party giving not less than six months' notice in writing to the other.

The annual reviews of the compensation of directors are carried out by the RC to ensure that the remuneration of the CEO and key executives commensurate with their performance, giving due regard to the financial and commercial health and business needs of the Group.

Principle 9: Disclosure on Remuneration

The level and mix of each individual director's remuneration band for the year ended 31 December 2007 is as follows:

	Directors' fees	Sal ary	Bonus	Benefits	Total
Below S$250,000					
Mr Gong Yucai	–	100%	–	–	100%
Mr Gong Haitao	100%	–	–	–	100%
Mr Xue Haoxin(1)	100%	–	–	–	100%
Ms Tai Hongwei(2)	100%	–	–	–	100%
Mr Lim Chin Tong	100%	–	–	–	100%
Mr Seow Han Chiang, Winston	100%	–	–	–	100%

Notes :

(1) Mr Xue Haoxin resigned as a Non-executive Director on 7 May 2007.
(2) Ms Tai Hongwei was appointed as a Non-executive Director on 7 May 2007.

Directors' fees are subject to approval by shareholders at the Company's forthcoming AGM.

For the financial year ended 31 December 2007, the remuneration of top 5 executives of the Group is as follows:

Below S$250,000
Zhang Xuesong
Wang Cheng
Pan Baochang
Jiang Zhihong
Tam Yok Mui

There are no employees of the Group who are immediate family members of a director or the CEO and whose remuneration exceeds S$150,000 during the year.

The Company does not have a long-term incentive or share option scheme in place.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Company ensures that price sensitive information is publicly released, either before the Company meets any group of investors or analysis or simultaneously with such meetings. Financial results and annual reports are announced or issued within the mandatory period.

In presenting the annual financial statements and half-yearly announcements to shareholders, Board ensures that there are detailed analyses, explanations and assessment of the Group's financial position and prospects.

Principle 11: Audit Committee

The AC comprises three members, all of whom are non-executive directors:

Lim Chin Tong	(Chairman)
Seow Han Chiang, Winston	
Xue Haoxin	(until 7 May 2007)
Tai Hongwei	(appointed on 7 May 2007)

The AC members have numerous years of experience in senior management positions and have sufficient financial management expertise to discharge their responsibilities.

The AC meets at least twice a year and as and when deemed appropriate to carry out its functions.

The AC assists the Board in discharging their responsibility to safeguard the Group's assets, maintain adequate accounting records, and develop and maintain effective systems of internal control, with the overall objective of ensuring that the management creates and maintains an effective control environment in the Group.

The AC's functions are as follows:

(a) review with the external auditors the audit plan, their evaluation of the system of internal accounting controls, their letter to management and the management's response;

(b) review the Group's financial results and announcements before submission to the Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and compliance with the Listing Manual and any other relevant statutory or regulatory requirements;

(c) review the internal control procedures and ensure co-ordination between the external auditors and the management, and review the assistance given by the management to the auditors, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of the management, where necessary);

(d) review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the management's response;

(e) consider the appointment or re-appointment of the external auditors and matters relating to the resignation or dismissal of the auditors;

(f) review Interested Person Transactions (if any) falling within the scope of Chapter 9 of the Listing Manual;

(g) review potential conflicts of interest, if any;

(h) undertake such other reviews and projects as may be requested by the Board, and will report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and

(i) generally undertake such other functions and duties as may be required by statute or the Listing Manual, or by such amendments as may be made thereto from time to time.

Corporate Governance Report

The AC has put in place a whistle-blowing programme whereby employees may in confidence, report possible improprieties which may cause financial or non financial loss of the Company.

The AC has full access to and co-operation from the management and full discretion to invite any director or executive officer to attend its meetings, and has been given resources to enable the AC to discharge its functions properly. The external auditors have unrestricted access to the AC.

The AC confirms that it has undertaken a review of all the non-audit services provided by the Company's auditor during the year and is satisfied that such services would not, in the AC's opinion, affect the independence of the external auditors. The AC had recommended the re-appointment of Foo Kon Tan Grant Thornton as external auditors at the forthcoming AGM of the Company.

Principle 12: Internal Controls

The Board acknowledges that it is responsible for ensuring the Company has in place a sound system of internal controls. It is however, impossible to preclude all errors and irregularities, as a system is designed to manage rather than eliminate such risks, and therefore can provide only reasonable and not absolute assurance against material misstatements or losses, errors or misjudgments, fraud or other irregularities.

Principle 13: Internal Audit

The Company has outsourced the internal audit function to an accounting/auditing firm, Moore Stephens, a firm of certified public accountants. The Internal Auditor ("IA") will review and test the Group's internal control system for adequacy and effectiveness. The IA will report directly to the AC on internal audit matters and may request from it the necessary resources to adequately perform its functions. Whenever necessary, the IA will also report to the Chairman of AC on administrative matters.

The AC will ensure the adequacy of the internal audit function on an annual basis.

The Board believes that, in the absence of any evidence to the contrary, the system of internal controls maintained by the Group's management and that was in place throughout the year and up to and as at the date of this report, is adequate to meet the needs of the Group in its current business environment.

Principle 14: Communication with Shareholders

Principle 15: Greater Shareholder Participation

The Company is committed to regular and proactive communication with its shareholders. It is the Board's policy that the shareholders be informed of the major developments that impact the Group.

Information is communicated to shareholders on a timely basis through:

— SGXNet releases and press releases;
— annual reports that are prepared and issued to all shareholders;
— half-yearly and annual financial statements containing a summary of the financial information and affairs of the Group for the period; and
— notices of and explanatory notes for annual general meetings and extraordinary general meetings ("EGM").

Shareholders are encouraged to attend the AGM and EGM to stay informed of the Group's strategies and goals and to voice their concerns and opinions. The Board, including the Chairmen of the NC, AC and RC, external auditors and the management will normally be available at the AGM to answer questions that shareholders may have concerning the Group.

SECURITIES TRANSACTIONS

The Company has devised and adopted its own internal compliance code to provide guidance to its officers with regard to dealing in the Company's shares by the directors and executives of the Group. The directors and executives have been informed not to deal in the Company's shares whilst in possession of price sensitive information and during the periods commencing one month prior to the announcement of the Company's half yearly and full year results and ending on the date of the announcement of the results. Directors and executives are also expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period.

MATERIAL CONTRACTS

Save as disclosed under Note __ of the Notes to the Financial Statements, on page [ ] of the Annual Report, there were no material contracts of the Company, or its subsidiary involving the interests of the Chairman, CEO, any director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of previous financial year.

INTERESTED PERSON TRANSACTIONS ("IPT")

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and such transactions are conducted on an arm's length basis and are not prejudicial to the interests of the shareholders. Save as disclosed under Note __ of the Notes to the Financial Statements, on page [ ] of the Annual Report, there were no IPT for the financial year ended 31 December 2007.

RISK MANAGEMENT

The management, headed by the CEO regularly reviews the Group's operations and activities to identify areas of risks as well as appropriate measures to control and mitigate these risks. Significant matters will be reported to the AC and the Board.

The Group's financial risk management is discussed under Note ___ of the Notes to the Financial Statements, on page [ ] of the Annual Report.
The directors submit this annual report to the members together with the audited consolidated financial statements of the group and balance sheet of the company for the financial year ended 31 December 2007.

Directors' Report

NAMES OF DIRECTORS

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

Gong Haitao	(Chairman, Non-Executive and Non-Independent Director)
Gong Yucai	(Chief Executive Officer)
Tai Hongwei	(Non-Executive and Non-Independent Director)
Lim Chin Tong	(Non-Executive and Lead Independent Director)
Seow Han Chiang, Winston	(Non-Executive and Independent Director)

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

During and at the end of the financial year, neither the company nor its subsidiaries was a party to any arrangement the object of which was to enable the directors to acquire benefits through the acquisition of shares in or debentures of the company or of any other corporate body.

DIRECTORS' INTEREST IN SHARES OR DEBENTURES

According to the Register of Directors' Shareholdings kept by the company under Section 164 of the Companies Act, Cap. 50, none of the directors who held office at the end of the financial year was interested in shares of the company and its related corporations except as follows:

	Shares in which director is deemed to have an interest	
	As at 1.1.2007	**As at 31.12.2007 and 21.1.2008**
The company - Link Hi Holdings Limited	Number of ordinary shares	
Gong Haitao	10,000,000	**10,000,000** (1)
Gong Yucai	91,261,000	**93,120,000** (2)

(1) Held by company in which Gong Haitao is deemed interested.

(2) Deemed interest in spouse's deemed interest and deemed interest held by company in which Gong Yucai is deemed interested.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or has become entitled to receive a benefit under a contract which is required to be disclosed under Section 201(8) of the Companies Act, Cap. 50, other than benefits included in the aggregate amount of emoluments received by the directors as shown in the accompanying financial statements.

Directors' Report

SHARE OPTIONS

No options were granted during the financial year to take up unissued shares of the company or of its subsidiaries.

No shares were issued by virtue of the exercise of options.

There were no unissued shares under option at the end of the financial year.

AUDIT COMMITTEE

The Audit Committee comprises the following members:

Lim Chin Tong (Chairman)
Seow Han Chiang, Winston
Tai Hongwei

The Audit Committee carried out its functions in accordance with Section 201B of the Companies Act, the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") and the Code of Corporate Governance.

Functions performed by the Audit Committee are described in the report on corporate governance included in the Annual Report.

The Audit Committee has nominated Foo Kon Tan Grant Thornton for re-appointment as auditors of the company at the forthcoming Annual General Meeting.

OTHER INFORMATION REQUIRED BY THE SGX-ST

MATERIAL INFORMATION

Apart from the Employment Agreement between the executive director with the company and a subsidiary, there are no material contract to which the company or its subsidiaries, is a party which involve directors' interests subsisted or have been entered into during the financial year.

INTERESTED PERSON TRANSACTIONS

There were no interested person transactions as defined in Chapter 9 of the SGX-ST Manual conducted during the financial year except as disclosed in Note 20 to the financial statements.

Directors' Report

AUDITORS

The auditors, Foo Kon Tan Grant Thornton, Certified Public Accountants, have expressed their willingness to accept re-appointment.

On behalf of the Directors

....
GONG HAITAO

....
GONG YUCAI

Dated: 28 February 2008

Statement by Directors

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In the opinion of the directors, the accompanying balance sheets, consolidated income statement, consolidated statement of changes in equity and the consolidated cash flow statement, together with the notes thereon, are drawn up so as to give a true and fair view of the state of affairs of the company and of the group as at 31 December 2007, and of the results of the business, changes in equity and cash flows of the group for the financial year ended on that date and at the date of this statement there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

On behalf of the Directors

………………………………
GONG HAITAO

………………………………
GONG YUCAI

Dated: 3 March 2008

Auditors' Report

We have audited the accompanying financial statements of Link Hi Holdings Limited ("the company") and its subsidiaries ("the group"), which comprise the balance sheets as at 31 December 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the Act) and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

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

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

Opinion

In our opinion,

(a) the consolidated financial statements of the group and the balance sheet of the company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the company and of the group as at 31 December 2007 and the results, consolidated changes in equity and consolidated cash flows of the group the year ended on that date; and

(b) 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.

Foo Kon Tan Grant Thornton
Certified Public Accountants

Singapore, 3 March 2008

Balance Sheets

	Note	The Company 31 December 2007 RMB'000	The Company 31 December 2006 RMB'000	The Group 31 December 2007 RMB'000	The Group 31 December 2006 RMB'000
Assets					
Non-Current					
Property, plant and equipment	4	**3**	8	**267,279**	78,730
Subsidiaries	5	**133,122**	79,300	**-**	-
		133,125	79,308	**267,279**	78,730
Current					
Inventories	6	**-**	-	**129,013**	51,910
Trade and other receivables	7	**45**	380	**93,063**	57,074
Amount owing by related parties (trade)		**-**	-	**249**	11
Cash and cash equivalents	8	**23**	716	**27,950**	40,970
		68	1,096	**250,275**	149,965
Total assets		**133,193**	80,404	**517,554**	228,695
Equity					
Capital and Reserves					
Share capital	9	**73,681**	73,681	**73,681**	73,681
Retained profits		**30,566**	5,090	**44,151**	38,699
Statutory common reserve		**-**	-	**6,852**	5,270
Exchange fluctuation reserve		**(601)**	(493)	**(601)**	(493)
		103,646	78,278	**124,083**	117,157
Minority interests		**-**	-	**37,252**	-
Total equity		**103,646**	78,278	**161,335**	117,157
Liabilities					
Non-Current					
Bank borrowings	10	**-**	-	**115,000**	50,000
Current					
Amount owing to related parties	11	**13,739**	870	**97,647**	1,686
Trade and other payables	12	**15,188**	635	**61,905**	29,231
Provision for directors' fee		**620**	621	**620**	621
Current tax payable		**-**	-	**1,047**	-
Bank borrowings	10	**-**	-	**80,000**	30,000
		29,547	2,126	**241,219**	61,538
Total equity and liabilities		**133,193**	80,404	**517,554**	228,695

Consolidated Income Statement

	Note	**Year ended 31 December 2007 RMB'000**	Year ended 31 December 2006 RMB'000
Revenue	3	**778,523**	333,727
Cost of sales		**(750,002)**	(302,294)
Gross profit		**28,521**	31,433
Other operating income	13(a)	**32,009**	9,427
Negative goodwill on consolidation		**11,766**	-
Distribution costs		**(9,263)**	(3,984)
Administrative expenses	13(b)	**(31,932)**	(10,600)
Other operating expenses		**(745)**	-
Finance costs	14	**(12,691)**	(3,261)
Profit before taxation	16	**17,665**	23,015
Taxation	17	**(2,472)**	-
Profit after taxation for the year attributable to shareholders		**15,193**	23,015
Attributable to:			
Equity holders of the parent		**7,034**	23,015
Minority interests		**8,159**	-
		15,193	23,015
Earnings per share (RMB cents)	19		
- basic		**5.63**	24.42
- diluted		**5.63**	24.42

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

Consolidated Statement Of Changes In Equity

	Share capital	Retained profits	Statutory common reserve	Exchange fluctuation reserve	Total attributable to equity holders of the parents	Minority interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2006	*	18,669	2,285	947	21,901	-	21,901
Exchange translation difference	-	-	-	(1,440)	(1,440)	-	(1,440)
Net profit for the year	-	23,015	-	-	23,015	-	23,015
Total recognised income and expenses for the year	-	23,015	-	(1,440)	21,575	-	21,575
Issue of shares pursuant to capitalisation of loan owing to a director	45,927	-	-	-	45,927	-	45,927
Issue of shares pursuant to Initial Public Offering ("IPO") listing	31,757	-	-	-	31,757	-	31,757
Share issue costs	(4,003)	-	-	-	(4,003)	-	(4,003)
Transferred to statutory common reserve	-	(2,985)	2,985	-	-	-	-
Balance at 31 December 2006	**73,681**	**38,699**	**5,270**	**(493)**	**117,157**	**-**	**117,157**
Exchange translation difference	**-**	**-**	**-**	**(108)**	**(108)**	**-**	**(108)**
Net profit for the year	**-**	**7,034**	**-**	**-**	**7,034**	**8,159**	**15,193**
Total recognised income and expenses for the year	**-**	**7,034**	**-**	**(108)**	**6,926**	**8,159**	**15,085**
Transferred to statutory common reserve	**-**	**(1,582)**	**1,582**	**-**	**-**	**-**	**-**
Acquisition of a subsidiary	**-**	**-**	**-**	**-**	**-**	**29,093**	**29,093**
Balance at 31 December 2007	**73,681**	**44,151**	**6,852**	**(601)**	**124,083**	**37,252**	**161,335**

* Denotes amount less than RMB1,000.

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

Consolidated Cash Flow Statement

	Year ended 31 December 2007 RMB'000	Year ended 31 December 2006 RMB'000
Cash Flows from Operating Activities		
Profit before taxation	**17,665**	23,015
Adjustments for:		
Negative goodwill on consolidation	**(11,766)**	-
Depreciation of property, plant and equipment	**9,209**	2,062
Impairment on receivables	**318**	392
Impairment on receivables no longer required	**(711)**	(243)
Interest expense	**12,691**	3,261
Interest income	**(409)**	(144)
Loss on disposal of property, plant and equipment	**142**	-
Operating profit before working capital changes	**27,139**	28,343
Increase in inventories	**(28,549)**	(19,848)
Decrease/(increase) in operating receivables	**7,344**	(13,154)
(Decrease)/increase in operating payables	**(16,882)**	10,289
Cash (used in)/generated from operations	**(10,948)**	5,630
Interest paid	**(11,494)**	(3,261)
Income tax paid	**(2,150)**	-
Net cash (used in)/generated from operating activities	**(24,592)**	2,369
Cash Flows from Investing Activities		
Acquisition of property, plant and equipment	**(137,480)**	(61,345)
Acquisition of subsidiary (Note A)	**(1,481)**	-
Exchange translation difference	**(108)**	(507)
Interest received	**409**	144
Proceeds from disposal of property, plant and equipment	**12**	-
Net cash used in investing activities	**(138,648)**	(61,708)
Cash Flows from Financing Activities		
Share issue costs	**-**	(2,935)
Proceeds from issue of new shares	**-**	31,757
Advances from a director	**13,306**	822
Bank loans obtained, net	**59,100**	35,000
Advances from a related party	**77,814**	-
Advances to a related party	**-**	(6,074)
Net cash generated from financing activities	**150,220**	58,570
Net decrease in cash and cash equivalents	**(13,020)**	(769)
Cash and cash equivalents at beginning of year	**40,970**	41,677
Effect of exchange rate change	**-**	62
Cash and cash equivalents at end of year (Note 8)	**27,950**	40,970

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

Consolidated Cash Flow Statement (CONT'D)

Note A:
The group acquired a subsidiary. The fair value of assets acquired and liabilities assumed were as follows:

	Year ended 31 December 2007 RMB'000	Year ended 31 December 2006 RMB'000
Net assets acquired		
Property, plant and equipment	**60,431**	-
Inventories	**48,553**	-
Trade and other receivables	**42,222**	-
Amount owing from related parties	**6,208**	-
Cash and cash equivalents	**8,519**	-
Trade and other payables	**(35,356)**	-
Amount owing to related parties	**(9,996)**	-
Bank borrowings	**(55,900)**	-
Identifiable net assets	**64,681**	-
Minority interests	**(29,093)**	-
Identifiable net assets acquired	**35,588**	-
Negative goodwill arising from consolidation	**(11,766)**	-
Purchase consideration	**23,822**	-
Net cash outflow on acquisition:		
Cash consideration paid	**(10,000)**	-
Cash and cash equivalents acquired	**8,519**	-
	(1,481)	-

Notes to the Financial Statements
for the year ended 31 December 2007

1 GENERAL INFORMATION

The financial statements of the company and the group for the year ended 31 December 2007, were authorised for issue in accordance with a resolution of the directors on the date of the Statement By Directors.

The company was incorporated in the Republic of Singapore under the name of Link Hi Holdings Pte. Ltd. on 31 August 2004 as a private limited company under the Companies Act, Cap. 50. The company was converted to a public company on 30 March 2006 and changed its name to Link Hi Holdings Limited. The company was admitted to the Official List of the Stock Exchange of Singapore Dealing and Automated Quotation System (SGX-SESDAQ) on 22 May 2006.

The company was incorporated as a limited liability company and domiciled in the Republic of Singapore.

The registered office is located at 3 Raffles Place, #07-01 Bharat Building, Singapore 048617.

The principal activity of the company is that of investment holding. The principal activities of the subsidiaries are stated in Note 5.

2(A) BASIS OF PREPARATION

The financial information of Link Hi Holdings Limited (the "company") and its subsidiaries (collectively referred to as the "group") set out in the consolidated financial statements for the financial year ended 31 December 2007, are expressed in Renminbi ("RMB"), being the functional and reporting currency of the principal companies within the group.

The financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS") including related Interpretations to FRS ("INT FRS") promulgated by the Accounting Standards Council ("ASC"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

Significant accounting estimates and judgements

The preparation of the financial statements in conformity with FRS requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

The critical accounting estimates and assumptions used and areas involving a high degree of judgements are described below:

Critical assumptions used and accounting estimates in applying accounting policies

Income tax

The group has exposure to income taxes in numerous jurisdictions. Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the group-wide provision for income tax. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. When the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

2(A) BASIS OF PREPARATION (CONT'D)

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within 5 to 10 years. The carrying amounts of the company's and the group's property, plant and equipment as at 31 December 2007 is RMB3,000 and RMB267,279,000 respectively. Changes in the expected level of usage could impact the economic useful lives of these assets, therefore future depreciation charges could be revised.

Critical judgements and key sources of estimation uncertainty

In the process of applying the entity's accounting policies, which are described in Note 2(d), management had made the following judgement that have the most significant effect on the amounts recognised in the financial statements:

Impairment of plant and equipment

The group assesses annually whether plant and equipment have any indication of impairment in accordance with the accounting policy. The recoverable amounts of plant and equipment have been determined based on value-in-use calculations. These calculations require the use of judgement and estimates.

Impairment in investment in subsidiaries

Determining whether investment in subsidiaries is impaired requires an estimation of the value-in-use of that investment. The value-in-use calculation requires the group to estimate the future cash flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash flows. Management has evaluated the recoverability of the investments based on such estimates and is confident that the allowance for impairment is not required.

Allowance for bad and doubtful debts

The group makes allowances for bad and doubtful debts based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the expected is different from the original estimate, such difference will impact carrying value of trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

2(B) INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS EFFECTIVE IN 2007

On 1 January 2007, the company and the group adopted the new or amended FRS and INT FRS that are mandatory for application from that date. This includes the following FRS and INT FRS, which are relevant to the company and the group:

FRS 1 (Amendment)	Amendments relating to capital disclosure
FRS 40	Investment Property
FRS 107	Financial Instruments: Disclosures
INT FRS 107	Applying the Restatement Approach under FRS 29 Financial Reporting in Hyperinflationary Economies
INT FRS 108	Scope of FRS 102
INT FRS 109	Reassessment of Embedded Derivatives
INT FRS 110	Interim Financial Reporting and Impairment

2(B) INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS EFFECTIVE IN 2007 (CONT'D)

The adoption of the above FRS and INT FRS did not result in substantial changes to the group's accounting policies but gave rise to additional disclosures as required under FRS 1 (Amendment) "Presentation of Financial Statements Amendments relating to capital disclosures" and FRS 107 "Financial Instruments: Disclosures Implementation Guidance". The specific transitional provisions contained in some of these new or revised FRS have been considered.

2(C) FRS AND INT FRS NOT YET EFFECTIVE

The company and the group have not adopted the following FRS and INT FRS that have been issued but not yet effective:

FRS 108	Operating Segments
INT FRS 111	FRS 102 - Group and Treasury Share Transactions
INT FRS 112	Service Concession Arrangements

FRS 108 replaces FRS 14 Segment Reporting. In doing so it extends the scope of segment reporting. It requires the identification of operating segments based on internal reports that are regularly reviewed by the entity chief operating decision maker in order to allocate resources to the segment and assess its performance. It requires amongst others, reconciliations of total reportable segment revenues, total profit or loss, total assets, and other amounts disclosed for reportable segments to corresponding amounts in the entity financial statements and an explanation of how segment profit or loss and segment assets are measured for each reportable segment.

The directors anticipate that the adoption of these FRS and INT FRS in future periods will have no material impact on the financial statements of the group.

2(D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The financial statements of the group include the financial statements of the company and its subsidiaries made up to the end of the financial year. Information on the subsidiaries is given in Note 5.

The consolidated financial statements of the group have been prepared using the historical cost method similar to the "pooling-of-interest" as acquisition of subsidiary is accounted for as reconstructions of businesses. Under the historical cost method, the acquired assets and liabilities are recorded at their existing carrying amounts. The consolidated financial statements include the results of operations, and the assets and liabilities, of the pooled enterprises as part of the group for the whole of the current period.

Other than for accounting of subsidiaries using the historical cost method as disclosed above, the results of the subsidiaries acquired during the financial year are included in the consolidated income statement from the effective date in which control is transferred to the group.

Acquisitions of subsidiaries are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

Where accounting policies of a subsidiary do not conform with those of the company, adjustments are made on consolidation when the amounts involved are considered significant to the group.

Notes to the Financial Statements
for the year ended 31 December 2007

2(D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

All inter-company balances and significant inter-company transactions and resulting unrealised profits or losses are eliminated on consolidation and the consolidated financial statements reflect external transactions and balances only.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is computed utilising the straight-line method to write off the cost of the assets after deducting the residual value over their estimated useful lives as follows:

Plant and machinery	10 years
Electronic equipment	3 - 5 years
Motor vehicles	10 years

No depreciation is provided for construction-in-progress.

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. 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 asset. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

The residual values and useful lives of property, plant and equipment are reviewed and adjusted as appropriate at each balance sheet date. The useful life and depreciation method are reviewed at each financial year-end to ensure that the method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the terms of property, plant and equipment.

For acquisitions and disposals during the financial year, depreciation is provided from the month of acquisition and to the month before disposal respectively.

Fully depreciated property, plant and equipment, if any, are retained in the books of accounts until they are no longer in use.

Subsidiary

A subsidiary is defined as a company in which the investing company has a long-term equity interest of more than 50% or over whose financial and operating policy decision the group has control.

Shares in subsidiaries are stated at cost less allowance for any impairment losses.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted-average basis. In the case of manufactured inventories, cost consists of cost of raw materials, direct labour and an appropriate proportion of production overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

2(D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial assets

Financial assets include cash and financial instruments. Financial assets, other than hedging instruments, can be divided into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated and classification may be changed at the reporting date with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

All financial assets are recognised on their trade date - the date on which the company and the group commit to purchase or sell the asset. Financial assets are initially recognised at fair value, plus directly attributable transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value.

Derecognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at each balance sheet date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

The company and the group do not have any investments and accordingly, there are no investments to be classified as fair value through profit or loss, held-to-maturity or available-for-sale.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the company and the group provide money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets, if any.

Loans and receivables are subsequently measured at amortised cost using the effective interest method less provision for impairment. Any change in their value is recognised in income statement. Any reversal shall not result in a carrying amount that exceeds what the amortised cost would have been had any impairment loss not been recognised at the date the impairment is reversed. Any reversal is recognised in the income statement.

Receivables are provided against when there is objective evidence that the company and the group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Loans and receivables are included in trade and other receivables, related party balances and deposits held in banks.

Leases

Operating lease

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Rentals on operating leases are charged to income statement on a straight-line basis over the lease term. Lease incentives, if any, are recognised as an integral part of the net consideration agreed for the use of the leased asset. Penalty payments on early termination, if any, are recognised in the income statement when incurred.

2(D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits with a short maturity of three months or less.

Related parties

Related parties are entities with one or more common direct/indirect shareholders and/or directors and in which one party has the ability to control or exercise significant influence over the other party in financial and operating decision making.

Financial liabilities

The company's and the group's financial liabilities include bank borrowings, trade and other payables and related party balances.

Financial liabilities are recognised when the company and the group become a party to the contractual agreements of the instrument. All interest related charges is recognised as an expense in "finance costs" in the income statement.

Bank borrowings are raised for support of long-term funding of the company's and the group's operations. They are recognised at proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to income statement on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Trade and other payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

Employee benefits

Pension obligations

The company and the group participate in the defined contribution national pension and other welfare schemes as provided by the laws of the countries each entity in the group operates. The company contributes to the Central Provident Fund, a defined contribution plan regulated and managed by the Government of Singapore, which applies to the majority of the employees in Singapore.

The subsidiaries in the People's Republic of China ("PRC") participate in the defined contribution national pension and other welfare schemes as provided by the laws in the PRC. The contributions to these schemes are charged to the income statement in the period to which the contributions relate.

Employee leave entitlements

No provision has been made for employee leave entitlements as any unconsumed annual leave not utilised will be forfeited.

2(D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Provisions

Provisions are recognised when the company and the group have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The directors review the provisions annually and where in their opinion, the provision is inadequate or excessive, due adjustment is made.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

Minority shareholders

The interest of minority shareholders in the acquiree company is measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Income taxes

The liability method of tax effect accounting is adopted by the group. Current taxation is provided at the current taxation rate based on the tax payable on the income for the financial year that is chargeable to tax. Deferred taxation is provided at the current taxation rate on all temporary differences existing at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred income tax is provided on all temporary differences arising on investment in subsidiary, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

The statutory tax rates enacted at the balance sheet date are used to determine deferred income tax.

Impairment of non-financial assets

The carrying amounts of the company's and the group's non-financial assets subject to impairment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable is defined as the higher of value in use and net selling price.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Individual assets or cash-generating units with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

2(D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value-in-use, based on an internal discounted cash flow evaluation.

Any impairment loss is charged to the income statement.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

Functional currency

Items included in the financial statements of the company and the group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("the functional currency"). The consolidated financial statements of the company and the group are presented in RMB, which is also the functional currency of the group.

Conversion of foreign currencies

The accounting records of the companies within the group are maintained in their respective measurement currencies.

Assets and liabilities in foreign currencies are translated into RMB at rates of exchange closely approximating those ruling at balance sheet date. Transactions in foreign currencies are converted at rates closely approximating those ruling at transaction dates. Except for the situation described below, exchange differences arising from such transactions are taken to the combined income statements:

Assets and liabilities of the company denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. The income statement of the company is translated using the average monthly rates. Foreign currency translation adjustments arising from the consolidated financial statements are recorded directly in exchange fluctuation account.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined. Currency translation differences on non-monetary items, whereby the gains or losses are recognised in the combined income statements, if any, are reported as part of the fair value gains or losses in "other gains/losses - net". Currency translation differences on non-monetary items, if any, whereby the gains and losses are recognised directly in equity, such as equity investments classified as available-for-sale financial assets, investment properties and property, plant and equipment are included in the fair value reserve and asset revaluation reserve respectively.

Revenue recognition

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue excludes value-added tax and is arrived at after deduction of trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

2(D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue is recognised when steel pipes and raw materials are sold to customers, which generally coincides with their delivery and acceptance.

Interest income is recognised on a time-apportioned basis using the effective interest method.

Segment reporting

A segment is a distinguishable component of the group within a particular economic environment (geographical segment) and to a particular industry (business segment) which is subject to risks and rewards that are different from those of other segments.

Segment information is presented in respect of the group's business and geographical segments. The primary format, business segments, is based on the group's management and internal reporting structure. In presenting information on the basis of business segments, segment revenue is based on the nature of the products or services provided by the group. Information for geographical segments is based on the geographical location of the principal places of business.

Statutory common reserve

According to the current PRC company law, the subsidiary is required, where appropriate, to transfer 10% of its profit after taxation to statutory common reserve until the balance of such reserve reaches 50% of the registered capital. For the purpose of calculating the transfer to this reserve, the profit after taxation shall be the amount determined under PRC accounting standards. The transfer to this reserve must be made before the distribution of dividends to shareholders.

Statutory common reserve can be used to make good previous years' losses and for conversion to capital, if any, provided that the balance remains not less than 25% of the registered capital.

Financial instruments

Financial instruments carried on the balance sheets include cash and cash equivalents, financial assets and financial liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. These instruments are recognised when contracted for.

Disclosures on financial risk management objectives and policies are provided in Note 23.

3 REVENUE

Revenue of the group represents the sale of steel pipes and raw materials excluding applicable value added tax as follows:

	31 December 2007 RMB'000	31 December 2006 RMB'000
Sale of steel pipes	**764,680**	328,266
Sale of raw materials	**9,891**	5,461
Processing fees	**3,952**	-
	778,523	333,727

Notes to the Financial Statements
for the year ended 31 December 2007

4 PROPERTY, PLANT AND EQUIPMENT

The Company	Electronic equipment RMB'000
Cost	
At 31 December 2006 and **at 31 December 2007**	**14**
Accumulated depreciation	
At 1 January 2006	*
Depreciation for the year	6
At 31 December 2006	**6**
Depreciation for the year	**5**
At 31 December 2007	**11**
Net book value	
At 31 December 2007	**3**
At 31 December 2006	8

The Group	Plant and machinery RMB'000	Electronic equipment RMB'000	Motor vehicles RMB'000	Construction-in-progress RMB'000	Total RMB'000
Cost					
At 1 January 2006	17,154	1,959	356	1,885	21,354
Additions	1,323	889	529	58,604	61,345
At 31 December 2006	**18,477**	**2,848**	**885**	**60,489**	**82,699**
On acquisition of a subsidiary	**33,507**	**1,604**	**27,856**	**4,605**	**67,572**
Additions	**4,327**	**1,927**	**870**	**130,356**	**137,480**
Disposals	**(180)**	**-**	**-**	**-**	**(180)**
Transfers	**86,861**	**1,834**	**1,981**	**(90,676)**	**-**
At 31 December 2007	**142,992**	**8,213**	**31,592**	**104,774**	**287,571**
Accumulated depreciation					
At 1 January 2006	1,491	385	31	-	1,907
Depreciation for the year	1,591	415	56	-	2,062
At 31 December 2006	**3,082**	**800**	**87**	**-**	**3,969**
On acquisition of a subsidiary	**4,086**	**424**	**2,630**	**-**	**7,140**
Depreciation for the year	**6,725**	**999**	**1,485**	**-**	**9,209**
Disposals	**(26)**	**-**	**-**	**-**	**(26)**
At 31 December 2007	**13,867**	**2,223**	**4,202**	**-**	**20,292**
Net book value					
At 31 December 2007	**129,125**	**5,990**	**27,390**	**104,774**	**267,279**
At 31 December 2006	15,395	2,048	798	60,489	78,730

The construction-in-progress relates to construction of factory facilities. The capital commitments in respect of the construction-in-progress are disclosed in Note 21.2 to the financial statements.

Details as to lease commitments on the factory facilities and warehouse premises are disclosed in Note 21.1 to the financial statements.

* Denotes amount less than RMB1,000.

5 SUBSIDIARIES

The Company	**31 December 2007 RMB'000**	31 December 2006 RMB'000
Unquoted equity investments, at cost (S$26,428,000)	**133,122**	79,300

The subsidiaries are:

Name	Country of incorporation/ place of business	Cost of investments		Percentage of equity held		Principal activities
		2007 RMB'000	2006 RMB'000	**2007**	2006	
Wuxi Fastube Industry Co., Ltd #	People's Republic of China	**69,300**	69,300	**100%**	100%	To develop, manufacture and process various types of precision steel pipes and tubing for the automotive, oil and gas and machinery and equipment industries
Wuxi Fastube Energy Development Technology Co., Ltd # (formerly known as Wuxi Fastube Energy Development, Science and Technology Co., Ltd)	People's Republic of China	**40,000**	10,000	**100%**	100%	To carry out research and development, design, manufacture and sale of steel pipes, equipment and facilities for use in oil exploration
Fit Result Enterprises Limited @	British Virgin Islands	*****	*	**100%**	100%	Investment holding
Often More Ltd #	British Virgin Islands	*****	*	**100%**	100%	Trading of steel pipes
Total Boost Enterprises Limited # (acquired effectively on 1.1.2007)	British Virgin Islands	**23,822**	*	**100%**	-	Investment holding
		133,122	79,300			
Held by Total Boost Enterprises Limited						
Wuxi Dingyuan Precision Steel Pipe Co., Ltd # (formerly known as Wuxi Dingyuan Precision Cold-Drawn Steel Pipe Co., Ltd)	People's Republic of China	**-**	-	**55%**	-	To develop, manufacture and process various types of precision steel pipes and tubing for the automotive, oil and gas and machinery and equipment industries

* Denotes amount less than RMB1,000.

\# Audited by Foo Kon Tan Grant Thornton for FRS reporting purposes.

@ This subsidiary is not required under the laws of the country to be audited. This subsidiary is inactive.

Notes to the Financial Statements
for the year ended 31 December 2007

6 INVENTORIES

The Group	**31 December 2007 RMB'000**	31 December 2006 RMB'000
At cost:		
Raw materials	**46,969**	23,961
Finished goods	**71,046**	27,949
Work-in-progress	**10,998**	-
	129,013	51,910
Inventories charged to cost of goods sold	**725,868**	280,380
Ageing of inventories (days)	**63**	63

7 TRADE AND OTHER RECEIVABLES

	The Company		The Group	
	31 December 2007 RMB'000	31 December 2006 RMB'000	**31 December 2007 RMB'000**	31 December 2006 RMB'000
Trade receivables	**-**	-	**51,163**	30,108
Impairment on trade receivables	**-**	-	**(782)**	(692)
Net trade receivables	**-**	-	**50,381**	29,416
Advances to suppliers	**-**	-	**17,923**	16,031
Note receivables	**-**	-	**15,017**	7,518
Prepayments	**18**	350	**1,316**	1,209
VAT receivables	**-**	-	**1,944**	-
Other receivables	**27**	30	**6,482**	2,900
	45	380	**93,063**	57,074

Trade receivables are usually due within 30-90 days and do not bear any effective interest rate. All trade receivables are subject to credit risk exposure. However, the group does not identify specific concentrations of credit risk with regards to trade and other receivables, as the amounts recognised resemble a large number of receivables from various customers.

Note receivables from banks mature at varying dates between 23 March 2008, the earliest date and 27 June 2008, the latest date.

7 TRADE AND OTHER RECEIVABLES (CONT'D)

Trade and other receivables are denominated in the following currencies:

	The Company		The Group	
	31 December 2007 RMB'000	31 December 2006 RMB'000	**31 December 2007 RMB'000**	31 December 2006 RMB'000
Renminbi	**-**	-	**78,052**	48,277
United States dollar	**-**	-	**14,660**	8,417
Euro	**-**	-	**306**	-
Singapore dollar	**45**	380	**45**	380
	45	380	**93,063**	57,074
Average ageing of trade receivables (days)	**-**	-	**24**	33
Movement in impairment on trade receivables are as follows:				
Balance at beginning of year	**-**	-	**692**	556
On acquisition of a subsidiary	**-**	-	**490**	-
Allowance during the year	**-**	-	**318**	392
Allowance no longer required	**-**	-	**(711)**	(243)
Allowance utilised	**-**	-	**(7)**	(13)
Balance at end of year	**-**	-	**782**	692

Impairment on trade receivables is made on specific debts for which the directors of the group are of the opinion that the debts are not recoverable.

The age analysis of trade receivables past due and impaired is as follows:

	The Company		The Group	
	31 December 2007 RMB'000	31 December 2006 RMB'000	**31 December 2007 RMB'000**	31 December 2006 RMB'000
Past due over 12 months	**-**	-	**782**	692

8 CASH AND CASH EQUIVALENTS

	The Company		The Group	
	31 December 2007 RMB'000	31 December 2006 RMB'000	**31 December 2007 RMB'000**	31 December 2006 RMB'000
Cash on hand	**-**	-	**188**	112
Bank balances	**23**	716	**27,762**	40,858

	23	716	**27,950**	40,970

8 CASH AND CASH EQUIVALENTS (CONT'D)

Cash and cash equivalents are denominated in the following currencies:

	The Company		The Group	
	31 December 2007	31 December 2006	**31 December 2007**	31 December 2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Renminbi	**-**	-	**21,918**	39,721
United States dollar	**-**	-	**6,009**	533
Singapore dollar	**23**	716	**23**	716
	23	716	**27,950**	40,970

9 SHARE CAPITAL

	The Company	
	31 December 2007	31 December 2006
	RMB'000	RMB'000
Issued and fully paid		
125,000,000 ordinary shares	**73,681**	73,681

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. All shares rank equally with regard to the company's residual assets.

10 BANK BORROWINGS

		31 December 2007	31 December 2006
The Group	Notes	**RMB'000**	RMB'000
Long-term loans (unsecured)	(a)	**115,000**	50,000
Short-term loans (unsecured)			
- # 1	(b)	**80,000**	-
- # 2	(c)	**-**	30,000
		195,000	80,000

Notes to the Financial Statements
for the year ended 31 December 2007

10 BANK BORROWINGS (CONT'D)

	Duration	Due date	Interest rate (per annum)	**31 December 2007 RMB'000**	31 December 2006 RMB'000
(a)	Long-term loans				
	Three-year	28 April 2009	6.03%	**10,000**	10,000
	Three-year	14 August 2009	6.03%	**30,000**	30,000
	Three-year	17 December 2009	6.30%	**10,000**	10,000
	Three-year	27 March 2010	6.57%	**15,000**	-
	Three-year	19 November 2009	5.25%	**10,000**	-
	Three-year	7 August 2010	7.02%	**10,000**	-
	Three-year	22 October 2010	7.02%	**20,000**	-
	Three-year	28 November 2010	7.47%	**10,000**	-
				115,000	50,000
(b)	Short-term loans - #1				
	One-year	18 July 2008	6.57%	**10,000**	-
	One-year	29 November 2008	7.29%	**10,000**	-
	One-year	2 August 2008	6.84%	**20,000**	-
	One-year	4 June 2008	6.57%	**10,000**	-
	One-year	8 May 2008	6.39%	**10,000**	-
	One-year	20 March 2008	5.325%	**20,000**	-
				80,000	-
(c)	Short-term loans - #2				
	One-year	29 March 2007	5.58%	**-**	15,000
	One-year	5 September 2007	6.12%	**-**	5,000
	One-year	25 July 2007	5.85%	**-**	10,000
				-	30,000
				195,000	80,000

The above bank loans are granted to two subsidiaries and are secured by guarantees from江苏苏嘉集团新材料有限公司, 无锡苏嘉创奇焊管有限公司, 无锡市惠丰投资担保有限公司 and 江苏苏嘉集团有限公司, all of which are related parties to the company.

In FY2006, the secured short-term bank loan facilities of RMB30,000,000 granted to a subsidiary was repaid during the financial year. Interest charged ranged between 5.58% and 6.12% per annum.

The amount payable within one year is included under current liabilities whilst the amount repayable after one year is included under non-current liability.

11 AMOUNT OWING TO RELATED PARTIES

	The Company		The Group	
	31 December 2007 RMB'000	31 December 2006 RMB'000	**31 December 2007 RMB'000**	31 December 2006 RMB'000
Trade	**-**	-	**-**	200
Amount due to a director	**13,739**	870	**14,197**	890
Amount due to related parties	**-**	-	**83,450**	596
Total amount owing to related parties	**13,739**	870	**97,647**	1,686

The advances from related parties are unsecured and are repayable on demand. The effective interest rate charged on the advances from related parties is 6.6% (2006 - Nil%) per annum.

Related parties relate to companies in which the directors of the group have a financial interest.

The advances from a director is unsecured and repayable on demand. The effective interest rate charged is 6.09% (2006 - Nil%) per annum.

12 TRADE AND OTHER PAYABLES

	The Company		The Group	
	31 December 2007 RMB'000	31 December 2006 RMB'000	**31 December 2007 RMB'000**	31 December 2006 RMB'000
Trade payables	**-**	-	**24,278**	20,413
Accrual for salaries and related costs	**1,300**	140	**15,782**	4,717
Advances from customers	**-**	-	**6,239**	2,891
Deposits received	**-**	-	**79**	73
VAT payable	**-**	-	**516**	-
Other payables	**13,888**	495	**15,011**	1,137
	15,188	635	**61,905**	29,231
Ageing of trade payables (days)	**-**	-	**19**	25

The fair value of trade and other payables have not been disclosed as, due to their short duration, management considers the carrying amounts recognised in the balance sheets to be reasonable approximation of their fair value.

Trade and other payables are denominated in the following currencies:

	The Company		The Group	
	31 December 2007 RMB'000	31 December 2006 RMB'000	**31 December 2007 RMB'000**	31 December 2006 RMB'000
Renminbi	**-**	-	**42,998**	28,596
United States dollar	**-**	-	**3,719**	-
Singapore dollar	**15,188**	635	**15,188**	635
	15,188	635	**61,905**	29,231

Notes to the Financial Statements
for the year ended 31 December 2007

13(A) OTHER OPERATING INCOME

The Group	**31 December 2007 RMB'000**	31 December 2006 RMB'000
Interest income - bank deposits placed in current account	**409**	144
Sale of scrap material	**32,455**	7,962
Miscellaneous income	**997**	1,321
Processing cost, net	**(1,874)**	-
Others	**22**	-
	32,009	9,427

13(B) ADMINISTRATIVE EXPENSES

The Group	**31 December 2007 RMB'000**	31 December 2006 RMB'000
Audit fee	**1,529**	75
Bad debts	**23**	29
Bank charges	**493**	-
Depreciation of property, plant and equipment	**594**	46
Directors' fees	**614**	612
Directors' remuneration	**615**	241
Entertainment	**919**	359
Impairment of trade receivables no longer required, net	**(393)**	149
Listing fees	**75**	2,310
Loss on disposal of property, plant and equipment	**142**	-
Professional fees	**1,233**	123
Rental expenses	**2,454**	1,203
Research and development	**670**	-
Salaries and related costs	**12,192**	2,235
Stamp and land used duties	**1,164**	107
Travelling and transportation	**908**	306
Others	**8,700**	2,805
	31,932	10,600

14 FINANCE COSTS

The Group	**31 December 2007 RMB'000**	31 December 2006 RMB'000
Interest on bank loans	**11,411**	3,180
Interest on advances from a director	**394**	-
Interest on advances from related parties	**803**	-
Discount on bank notes	**83**	81
	12,691	3,261

14 FINANCE COSTS (CONT'D)

The effective interest rate (per annum) is as follows:

	31 December 2007 RMB'000	31 December 2006 RMB'000
Bank loans	**5.8%**	3.5%
Advances from a director	**6.1%**	Nil%
Advances from related parties	**6.6%**	Nil%

15 EMPLOYEE BENEFIT EXPENSES

The Group	**31 December 2007 RMB'000**	31 December 2006 RMB'000
Director's remuneration, other than directors' fee		
- salaries and related costs	**601**	360
- defined contributions	**14**	2
Key management personnel		
- salaries and related costs	**3,068**	282
- defined contributions	**103**	7
Other than director and key management personnel		
- salaries and related costs	**35,044**	9,651
- defined contributions	**2,203**	1,569
	41,033	11,871

16 PROFIT BEFORE TAXATION

The Group	Note	**31 December 2007 RMB'000**	31 December 2006 RMB'000
Profit before taxation has been arrived at after charging:			
Allowance for doubtful debts	7	**318**	392
Bad debts - trade		**23**	29
Depreciation of property, plant and equipment	4	**9,209**	2,062
Directors' fee		**614**	612
Exchange loss		**2,195**	509
Loss on disposal of property, plant and equipment		**142**	-
Operating lease rentals		**2,454**	1,203
and crediting			
Allowances for doubtful debts no longer required	7	**711**	243

Notes to the Financial Statements
for the year ended 31 December 2007

17 TAXATION

The Group	31 December 2007 RMB'000	31 December 2006 RMB'000
Current taxation	**2,472**	-

The tax expense on the results of the financial year varies from the amount of income tax determined by applying the Singapore statutory rate of income tax on the group's profits as a result of the following:

Profit before taxation	**17,665**	23,015
Tax at statutory rate of 18% (2006 - 20%)	**3,180**	4,603
Difference in foreign tax rate	**945**	1,934
Tax exempt	**(1,653)**	(6,537)
	2,472	-

In financial years 2006 and 2007, Wuxi Fastube Industry Co., Ltd and Wuxi Dingyuan Precision Steel Pipe Co., Ltd, two of the subsidiaries in PRC obtained the tax holiday exemption where according to PRC's taxation law, any enterprise with foreign investment of a production nature schedules to operate for a period of not less than ten years shall, from the year beginning to make profit, be exempted from income tax in the first and second years and allowed a fifty percent reduction in the third to fifth year.

The above two subsidiaries have been granted such incentive for the financial years 2006 to 2009.

18 RETIREMENT BENEFIT PLANS

The eligible employees of the group, who are citizens of the PRC, are members of a state-managed retirement benefit scheme operated by the PRC government. The group is required to contribute a certain percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the group with respect to the retirement benefit scheme is to make the specified contributions.

The total costs charged to the consolidated income statement for the year is RMB1,706,000 (2006 - RMB900,000), representing defined contribution national pension plan.

19 EARNINGS PER SHARE

The Group

Basic earnings per share is calculated based on the group's profit after taxation of RMB7,034,000 attributable to the shareholders divided by 125,000,000 ordinary shares in issue during the financial year.

Diluted earning per share is calculated on the group's profit after taxation of RMB7,034,000 divided by 125,000,000 ordinary shares in issue during the financial year.

The calculation of basic and diluted earnings per share for 31 December 2006 was based on the group's profit after taxation of RMB23,015,000 divided by weighted average number of shares of 94,246,576 shares.

Notes to the Financial Statements
for the year ended 31 December 2007

20 SIGNIFICANT RELATED PARTY TRANSACTIONS

Other than the related party information disclosed elsewhere in the financial statements, the following are significant transactions entered between the group and its related parties:

The Group	**31 December 2007 RMB'000**	31 December 2006 RMB'000
Purchases from related parties	**204**	-
Sales to a related parties	**756**	24
Operating lease rental charged by related parties	**2,292**	1,050
Sub-contracting services provided by related parties	**16**	336
Interest charged by related party parties	**803**	-

21 COMMITMENTS

21.1 Operating lease commitments (non-cancellable)

At the balance sheet date, the group was committed to making the following lease rental payments under non-cancellable operating leases for office premises, factory facility, warehouse premises and land.

	The Company		The Group	
	31 December 2007 RMB'000	31 December 2006 RMB'000	**31 December 2007 RMB'000**	31 December 2006 RMB'000
Not later than one year	**79**	81	**3,066**	1,130
Later than one year and not later than five years	**-**	-	**9,742**	3,348
Later than five years	**-**	-	**7,075**	7,675

The lease on the company's office premises on which rentals are payable will expire on 30 June 2008. The current rent payable on the lease is RMB13,202 (S$2,599) per month.

The leases on the subsidiaries' factories, warehouse premises and land on which rentals are payable will expire between 14 October 2009 and 14 October 2024. The current rent payable on the leases which are between RMB200,000 per annum and RMB1,277,094 per annum are subject to revision on renewal.

The location of the subsidiaries' factory facilities, warehouse premises and land are:

	Name of subsidiaries	Address	Name of lessor	Square metres
(i)	Wuxi Fastube Industry Co., Ltd	Nanxizhang, Qianqiao Town, Huishan District, Wuxi City, Jiangsu Province, PRC	江苏苏嘉集团有限公司, related party to the company	22,715.99
(ii)	Wuxi Dingyuan Precision Steel Pipe Co., Ltd	Qianqiao Industrial Park, Qianqiao Town, Huishan District, Wuxi city, Jiangsu Province, PRC	江苏苏嘉集团有限公司, related party to the company	66,667.00
(iii)	Wuxi Fastube Energy Development Technology Co., Ltd	Xizhang, Qianqiao Town, Huishan District, Wuxi City Jiangsu Province, PRC	江苏苏嘉集团有限公司, related party to the company	33,000.00

Notes to the Financial Statements
for the year ended 31 December 2007

21 COMMITMENTS (CONT'D)

21.2 CAPITAL COMMITMENTS

Capital commitments not provided for in the financial statements are as follows:

The Group	**31 December 2007 RMB'000**	31 December 2006 RMB'000
Expenditure contracted for purchase of property, plant and equipment	**39,044**	20,380

22 SEGMENT INFORMATION

The Group

No information by business segments is presented as the principal operation of the group relates entirely to sale of steel pipes and raw materials. In addition, as the business of the group is engaged entirely in the PRC, no reporting by geographical location of operation is presented.

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The board of directors meets periodically to analyse and formulate measures to manage the group's exposure to market risk, including principally changes in interest rates and currency exchange rates. Generally, the group employs a conservative strategy regarding its risk management. As the group's exposure to market risk is kept at a minimum level, the company has not used any derivatives or other instruments for hedging purposes. The group does not hold or issue derivative financial instruments for trading purposes.

As at 31 December 2007, the group's financial instruments mainly consisted of cash and cash equivalents, receivables and payables.

23.1 Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The group's interest rate risk arises from bank borrowings and advances from related parties. The interest rates of the bank borrowings and advances from related parties are disclosed in Note 10 and Note 11 to the financial statements respectively.

23.2 Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The group carries out its business in the PRC. However there are certain export sales which are denominated in United States dollar ("USD") and Euro ("EUR"). The group does not use any financial derivatives such as foreign currency forward contracts, foreign currency options or swaps for hedging purposes.
A 5% strengthening of the USD and EUR against the Renminbi as at 31 December would have had the following impact on the net profit by the amounts shown below:

31 December 2007	**Gain (RMB'000)**
USD1,497,753	547
EUR28,718	15

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

23.2 Foreign currency risk (cont'd)

A 5% percent weakening of the CAD, USD and EUR against the above currency at 31 December would have the equal but opposite effect on the above currency of the amounts shown above.

Exposures to foreign exchange rates vary during the period depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of group exposure to currency risk.

23.3 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The carrying amounts of trade receivables and other receivables represent the group's maximum exposure to credit risk in relation to its financial assets. The group has no other significant concentration of credit risk other than the five largest trade receivables which represent approximately 22% of the total trade receivables at the balance sheet date. No other financial assets carry a significant exposure to credit risk.

For sale of steel pipes in the PRC, the group typically requires a down payment of up to 30% to 50% of the contract price upon the order being placed. Upon delivery, up to 65% to 50% of the contract price is payable and the balance is to be paid by the customer at the expiry of the 12-month warranty period for manufacturing defects. For certain customers in the PRC, the group gives a credit term of up to 60 to 90 days from the date of invoice.

For the group's overseas sale of steel pipes, the group typically requires a down payment of up to 10% to 30% of the contract price upon the order being placed. Upon shipment, the balance of the contract price is payable by way of letter of credit or telegraphic transfer.

The credit terms granted to customers are recommended by the group's sales department and approved by the group's General Manager and Chief Executive Officer, and are determined based on the credit worthiness, payment history, transaction volume, financial background, market reputation and the existing relationship that the group have with their customers.

23.4 Liquidity risk

Liquidity or funding risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The company manages its liquidity risk by ensuring the availability of adequate funds to meet all its obligations in a timely and cost-effective manner.

23.5 Price risk

Price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

The group does not hold any quoted or marketable financial instrument, hence is not exposed to any movement in market prices.

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

23.5 Price risk (cont'd)

However, the group is exposed to the market price for its principal raw materials which mainly the steel materials.

A 10% increase in the price of steel for the financial year ended 31 December 2007 would have the effect of decreasing the net profit by the amount shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

31 December 2007 RMB'000
64,824

A 10% decrease in the price of steel for the financial year ended 31 December 2007 would have had the equal opposite effect on the amount shown above, on the basis that all other variables remain constant.

24 FINANCIAL INSTRUMENTS

Fair values

The carrying amount of the financial assets and financial liabilities with a maturity of less than one year is assumed to approximate their fair values.

The group does not anticipate that the carrying amounts recorded at balance sheet date would be significantly different from the values that would eventually be received or settled.

25 CRITICAL ACCOUNTING ESTIMATES

Estimates are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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.

(i) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completed and selling expenses. These estimates are based on the current market condition and the historical expense of selling products of "similar nature". It could change significantly as a result of competitors in response to severe industry's cycles.

26 CAPITAL MANAGEMENT

The group's objectives when managing capital are:

(a) To safeguard the group's ability to continue as a going concern;

(b) To support the group's stability and growth; and

(c) To provide capital for the purpose of strengthening the group's risk management capability.

The group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The group currently does not adopt any formal dividend policy.

Statistics of Shareholdings
as at 12 March 2008

Issued and Paid-up capital	:	S$15,490,928.80
Number of Shares	:	125,000,000
Class of Shares	:	Ordinary Shares
Voting Rights	:	1 Vote per Share

SIZE OF SHAREHOLDINGS	NO OF SHAREHOLDERS	%	NO OF SHARES	%
1 - 999	2	0.92	1,000	0.00
1,000 - 10,000	99	45.41	614,000	0.49
10,001 - 1,000,000	107	49.08	8,710,000	6.97
1,000,001 AND ABOVE	10	4.59	115,675,000	92.54
TOTAL	**218**	**100.00**	**125,000,000**	**100.00**

TWENTY LARGEST SHAREHOLDERS

	NAME	NO OF SHARES	%
1	UNITED CONTINENT GROUP LIMITED	70,000,000	56.00
2	SMART CONCEPT TECHNOLOGY LIMITED	20,000,000	16.00
3	LEADPASS INVESTMENTS LIMITED	10,000,000	8.00
4	CIMB-GK SECURITIES PTE. LTD.	3,857,000	3.09
5	DB NOMINEES (S) PTE LTD	3,120,000	2.50
6	DBS VICKERS SECURITIES (S) PTE LTD	2,120,000	1.70
7	UOB KAY HIAN PTE LTD	2,109,000	1.69
8	HSBC (SINGAPORE) NOMINEES PTE LTD	1,588,000	1.27
9	UNITED OVERSEAS BANK NOMINEES PTE LTD	1,511,000	1.21
10	WONG SIEW WENG	1,370,000	1.10
11	KANG HWI WAH	987,000	0.79
12	OCBC SECURITIES PRIVATE LTD	562,000	0.45
13	KENG CHEE CHIANG	500,000	0.40
14	PETERSON ASSET MANAGEMENT PTE LTD	490,000	0.39
15	TAN SUNG SUNG	412,000	0.33
16	LIM BENG SIU	350,000	0.28
17	TAN LENG POH	283,000	0.23
18	DBS NOMINEES PTE LTD	253,000	0.20
19	CHENG BUCK POH	220,000	0.18
20	POH HOCK HENG	200,000	0.16
	TOTAL	**119,932,000**	**95.97**

Substantial Shareholders

(As recorded in the Register of Substantial Shareholders – as at 12 March 2008)

	Direct Interest	%	Deemed Interest	%
United Continent Group Limited	70,000,000	56.00	3,120,000	2.50
Smart Concept Technology Limited	20,000,000	16.00	-	-
Leadpass Investments Limited	10,000,000	8.00	-	-
Gong Yucai	-	-	93,120,000	74.50
Xia Jing	-	-	93,120,000	74.50
Gong Haitao	-	-	10,000,000	8.00

Notes:

1. 3,120,000 shares are held under the name of DB Nominees (S) Pte. Ltd.
2. Mr Gong Yucai and his spouse, Mdm Xia Jing are both deemed to be interested in the shares held by United Continent Group Limited, Smart Concept Technology Limited and DB Nominees (S) Pte Ltd. Mr Gong Yucai is the sole shareholder of United Continent Group Limited while Madam Xia Jing is the sole shareholder of Smart Concept Technology Limited.
3. Mr Gong Haitao is deemed interested in the shares held by Leadpass Investments Limited, of which he is the sole shareholder.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

17.5% of the Company's shares are in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

Notice of Annual General Meeting

LINK HI HOLDINGS LIMITED
(Incorporated in Singapore with limited liability)
(Co. Reg. No: 200411055E)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of LINK HI HOLDINGS LIMITED ("the Company") will be held at The Executives' Club, 65 Chulia Street #33-01, OCBC Centre, Singapore 049513 on Thursday, 24 April 2008 at 9.00 am for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 31 December 2007 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors retiring pursuant to the Company's Articles of Association:

   Ms Tai Hongwei (retiring pursuant to Article 88) **(Resolution 2)**
   Mr Seow Han Chiang, Winston (retiring pursuant to Article 89) **(Resolution 3)**

   Ms Tai Hongwei will, upon re-election as a Director of the Company, remain a member of the Audit Committee and will be considered non-independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

   Mr Seow Han Chiang, Winston will, upon re-election as a Director of the Company, remain Chairman of the Remuneration Committee and a member of Audit Committee and Nominating Committee respectively and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

3. To re-appoint Foo Kon Tan Grant Thornton as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 4)**

4. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

5. **Directors' Fees**
   To approve the payment of Directors' fees of S$122,000 for the year ended 31 December 2007 (2006: S$122,000*)*.
   (Resolution 5)

6. **Authority to allot and issue shares up to 50 per centum (50%) of the total number of issued shares**
   That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, authority be given to the Directors of the Company to issue shares ("Shares") whether by way of rights, bonus or otherwise, and/or 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 to such persons as the Directors may, in their absolute discretion, deem fit provided that:

Notice of Annual General Meeting

(a) the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, of which the aggregate number of Shares and convertible securities to be issued other than on a pro rata basis to all shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company;

(b) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (a) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) of the Company as at the date of the passing of this Resolution, after adjusting for:

(i) new shares arising from the conversion or exercise of convertible securities;
(ii) new shares arising from exercising share options or vesting of Share awards outstanding or subsisting at the time this Resolution is passed; and
(iii) any subsequent bonus issue, consolidation or subdivision of shares;

(c) And that such authority shall, unless revoked or varied by the Company in general meeting, continue in force (i) until the conclusion of the Company's next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of such convertible securities.

[See Explanatory Note] **(Resolution 6)**

By Order of the Board

Hazel Chia Luang Chew
Company Secretary

Singapore, 8 April 2008

Explanatory Note:

The Ordinary Resolution 6 proposed in item 6 above, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue Shares and convertible securities in the Company up to an amount not exceeding fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to twenty per centum (20%) may be issued other than on a pro rata basis.

For the purpose of this resolution, the total number of issued shares (excluding treasury shares) is based on the Company's total number of issued shares (excluding treasury shares) at the time this proposed Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this proposed Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. If the appointor is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.

3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 3 Raffles Place #07-01 Bharat Building Singapore 048617 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

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LINK HI HOLDINGS LIMITED
(Incorporated In the Republic of Singapore with limited liability)
(Co. Reg. No: 200411055E)

IMPORTANT:
1. For investors who have used their CPF monies to buy Link Hi Holdings Limited's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to vote should contact their CPF Approved Nominees.

PROXY FORM
(Please see notes overleaf before completing this Form)

*I/We, ____________________

of ____________________

being a member/members of Link Hi Holdings Limited (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing *him/her, the Chairman of the Meeting as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held on Thursday, 24 April 2008 at 9.00 am and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the *proxy/proxies will vote or abstain from voting at *his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [√] within the box provided.)

No.	Resolutions relating to:	For	Against
	Directors' Report and Audited Accounts for the year ended 31 December 2007		
	Re-appointment of Ms Tai Hongwei as a Director		
	Re-election of Mr Seow Han Chiang, Winston as a Director		
	Re-appointment of Foo Kon Tan Grant Thornton as Auditors		
	Approval of Directors' fees amounting to S$122,000		
	Authority to allot and issue new shares		

**Delete where inapplicable*

Dated this ____________ day of ____________________ 2008

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____
Signature of Shareholder(s)/
and, Common Seal of Corporate Shareholder

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 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 member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 3 Raffles Place #07-01 Bharat Building Singapore 048617 not less than forty-eight (48) hours before the time appointed for the Meeting.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor 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 seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

6. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at forty-eight (48) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

LINKHI
Registration Number: 200411055E
3 Raffles Place #07-01 Bharat Building Singapore 048617