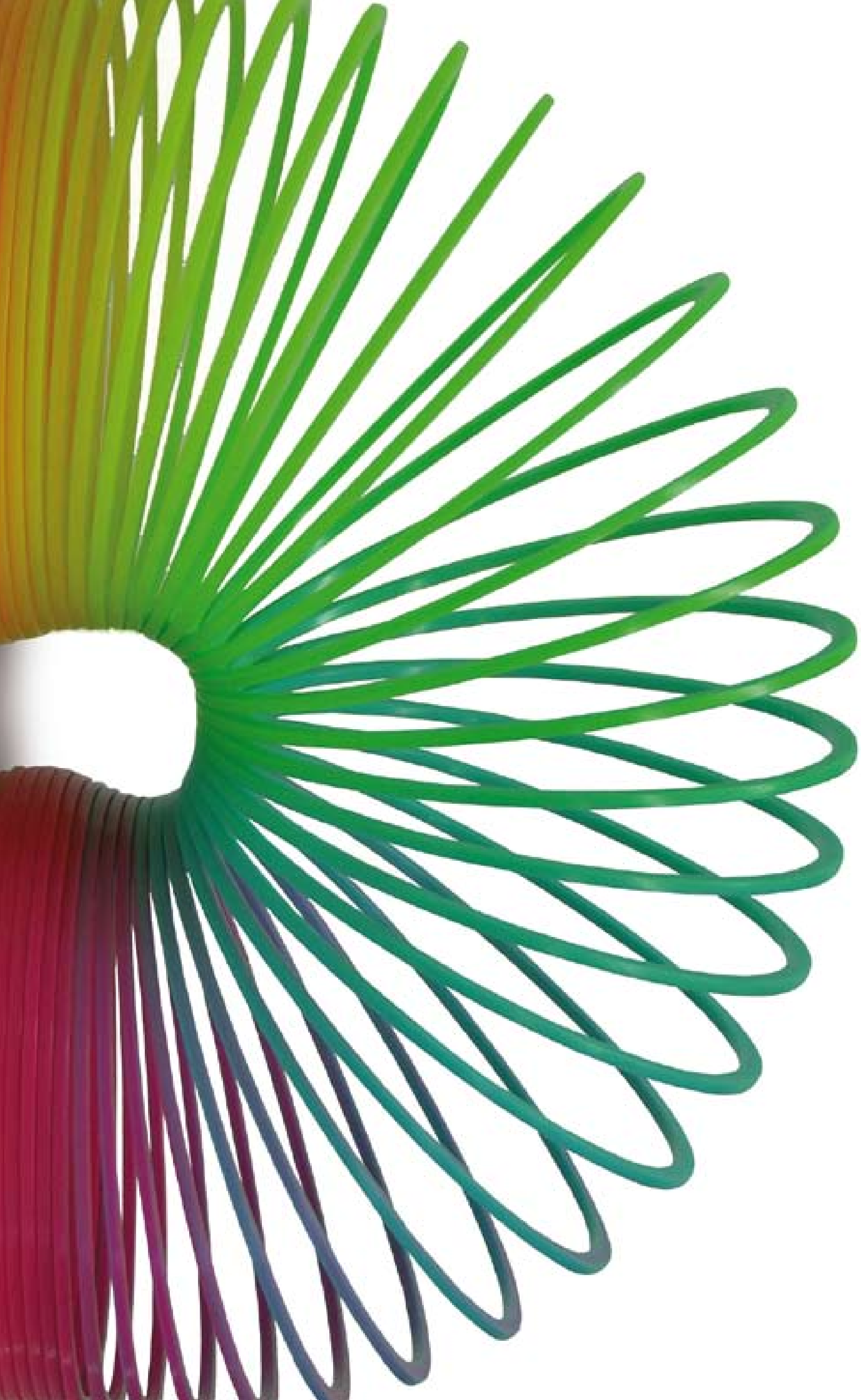


SINOPIPE HOLDINGS LIMITED

BOUNDLESS OPPORTUNITIES

Annual Report 2006

BOUNDLESS OPPORTUNITIES

Exciting developments are taking place. Strong economic growth is fuelling new developmental and upgrading projects in the market. Research and development have made it possible to explore new products, manufacturing processes and technologies. With an extensive marketing campaign, there is opportunity to expand beyond current market.

For Sinopipe, a market leader in the design, manufacture, distribution and installation of a wide variety of plastic pipes and pipe fittings, the opportunities are simply boundless.

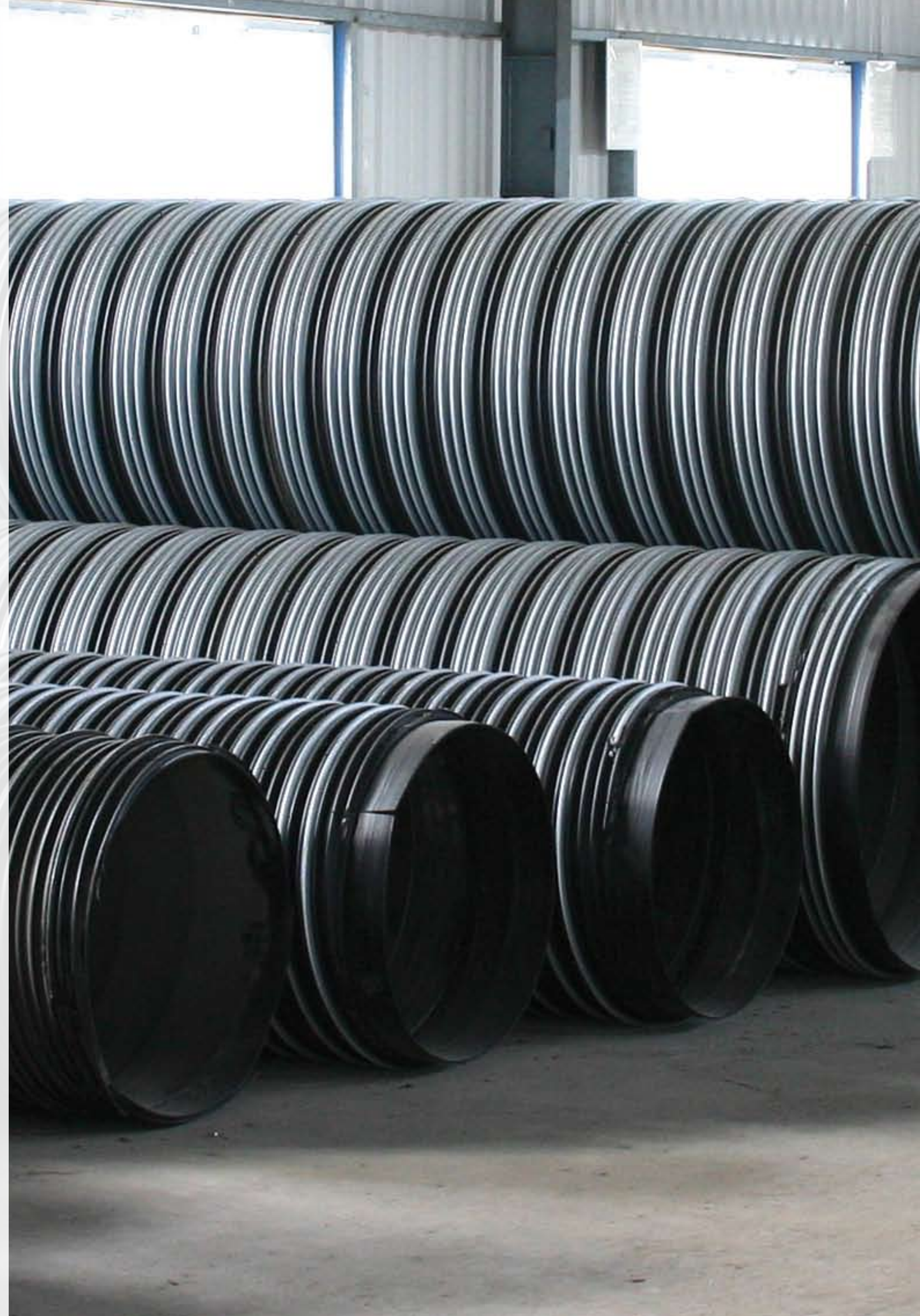
CONTENTS

CORPORATE Profile

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

We have 10 production facilities located across the People's Republic of China (the "PRC"), namely in Fuqing, Chengde, Kaifeng, Hubei, Inner Mongolia, Chongqing, Beijing, Guizhou, Chengdu and Heilongjiang. We sell our products through a distribution network comprising a total of eight subsidiaries, nine branch offices, three independent provincial distributors and various independent sub-distributors with smaller geographical coverage within the PRC. Our subsidiaries, branch offices, independent provincial distributors and independent sub-distributors have been assigned territorial boundaries within which to conduct sales and marketing of our products. This allows them to consistently serve the same group of customers so as to better understand their needs and changes in the market demand. Our revenue is primarily generated from sales of our products in the PRC domestic market.

Building a first-class brand



Our products are broadly categorised into the following series:

- Drainage and Sewerage Series
- Water Supply Series
- Telecommunication and Electrical Series
- Water-Saving Irrigation Series
- Fuel Gas Series

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

Drainage and Sewerage Series

Water Supply Series

Telecommunication and Electrical Series

Water-Saving Irrigation Series

Fuel Gas Series

LETTER TO Shareholders

"Revenue for FY2006 was Rmb 507.6 million, a 16.1% increase from FY2005. Net profit increased by 14.2% from Rmb 50.5 million in FY2005 to Rmb 57.7 million in FY2006."

On behalf of the Board of Directors, we are pleased to present to you Sinopipe Holdings Limited's ("Sinopipe") annual report for the financial year ended 31 December 2006 ("FY2006").

The Year in Review

FY2006 has been an exciting and fruitful year. We have continued to deliver a good set of results which was underpinned by the rapid industrialisation and strong economic growth in the People's Republic of China (the "PRC") which drove the demand for our products. Revenue for FY2006 was Rmb 507.6 million, a 16.1% increase from FY2005. Net profit increased by 14.2% from Rmb 50.5 million in FY2005 to Rmb 57.7 million in FY2006. We have a strong cash position with cash and cash equivalents amounting to Rmb 63.2 million at the end of FY2006. Earnings per ordinary share for FY2006 was lower at 30.74 Rmb cents as compared to 35.81 Rmb cents for FY2005 mainly due to the issuance of 48 million new ordinary shares in connection with our initial public offering on 16 December 2005. Net asset value per ordinary share at the end of FY2006 was 163.88 Rmb cents, up from 138.09 Rmb cents last year.

Dividends to Reward our Shareholders

To reward our shareholders for their support, the Board of Directors is pleased to propose a first and final tax exempt one-tier dividend of 1.2 Singapore cents per ordinary share. This proposed dividend will be subject to approval by shareholders at the forthcoming annual general meeting.

Going Forward

The PRC government's drive to modernise and upgrade the country's infrastructure, including the use of plastic pipes in different industries and the replacement of traditional concrete and metal piping systems with plastic pipes across the PRC, will create business opportunities for our Group, including the supply of plastic pipes and pipe fittings and the involvement in build-transfer of drainage and sewerage and water supply projects, which the Board of Directors believe our Group can capitalise on. Product innovation and diversification as well as distribution network expansion will continue to be our key drivers for growth. We are committed to continuous research and development to develop new products, manufacturing processes and

Kusnadi Lybianto Chen Li Hui

"Product innovation and diversification as well as distribution network expansion will continue to be our key drivers for growth."

technologies and to improve existing products, manufacturing processes and technologies. Through our continuous efforts towards advertising and promotion, we seek to enhance our brands profile and we plan to participate in more national-wide, regional and international exhibitions and trade shows to promote our products and seek new markets and business opportunities. We are however mindful of our cost management so as to ensure profitability. We will continue to streamline and enhance our operational processes so as to achieve optimal production efficiency.

Update on Use of Share Placement Proceeds

We have on 20 March 2007 completed a placement of 37.5 million new ordinary shares in the share capital of Sinopipe at the placement price of 32 Singapore cents per share. The purpose of the share placement is to allow Sinopipe to raise net proceeds of approximately S$11.95 million to fund the expansion of our Group's business through investments, acquisitions and/or joint ventures as and when the opportunities arise as well as for the general working capital of our Group. Out of the net proceeds of approximately S$11.95 million, S$9.65 million has been utilised as a loan to a subsidiary, Fujian Aton Advanced Materials Science and Technology Co., Ltd. for its working capital purposes. The remaining net proceeds are now kept with a reputable financial institution and may be channelled to short-term low-risk investments pending their deployment.

Appreciation

Last but not least, on behalf of the Board of Directors, we would like to take this opportunity to thank our management team and staff for their dedication and contributions to the growth of our Group and our customers, suppliers, business partners and shareholders who have stood by us and rendered their continuous support. With your continued support, we look forward to building upon the accomplishments of FY2006 and successfully meeting the challenges for FY2007.

Kusnadi Lybianto
Non-Executive Chairman

Chen Li Hui
Chief Executive Officer

BOARD OF Directors

Kusnadi Lybianto, 74
Chairman and Non-Executive Director

Mr Lybianto is a founder of our Group and was last appointed to our Board of Directors (the "Board") on 25 April 2006. As Mr Lybianto is over 70 years of age, he will be due for re-appointment at this coming Annual General Meeting ("AGM") pursuant to Section 153(6) of the Singapore Companies Act, Cap. 50. Mr Lybianto is a member of the Audit, Nominating and Remuneration Committees. As our Non-Executive Chairman, Mr Lybianto is tasked with the leadership of our Board. Since setting up Fujian Aton Advanced Materials Science and Technology Co., Ltd. ("Fujian Atontech") in 1994, Mr Lybianto was instrumental in expanding the business of our Group from a single joint venture enterprise in Fuqing City, Fujian Province, the People's Republic of China (the "PRC") to our current network of companies and branches throughout the PRC. Mr Lybianto has many years of business experience in other industries. Before setting up Fujian Atontech, he was involved in managing his own businesses in the textile, general hardware and steel wire industries in Singapore and Indonesia. He is still currently involved in the steel wire industry in Indonesia, which supplies metal spokes for motorcycles. Mr Lybianto completed his secondary education in the PRC. He is the vice-chairman of the Fuqing Association of Jakarta Indonesia and the vice-chairman of the International Federation of Fuqing Clan.

Chen Li Hui, 45
Chief Executive Officer and Executive Director

Mr Chen is also a founder of our Group. Together with Mr Kusnadi Lybianto, Mr Chen played a pivotal role in the growth and expansion of our Group. Mr Chen was appointed to our Board on 1 December 2004 and will be due for re-election at this coming AGM. He currently oversees the overall day-to-day management, sales and operations of our Group and is also responsible for formulating and implementing business strategies and policies of our Group. Mr Chen started his career with Xiamen Maritime Bureau as deputy station head of the radio control station from 1984 to 1989. In 1989, he joined Unitex Plastics Co., Ltd. as a deputy manager of the engineering department where he was responsible for the construction, expansion and overall maintenance and management of the plastic film production facilities. After leaving Unitex Plastics Co., Ltd. in 1991, he joined Fujian ZhenYun Plastic Co., Ltd. as a general manager and director, where his responsibilities involved the general management and operations of the company. Mr Chen has a Bachelor of Science degree from Fuzhou University. His main appointments in the various associations in which he is involved are namely as a director on the board of the Plastic Piping Sub-Committee Affiliated with China Plastics Industry Association, an executive committee member of the All-China Federation of Industry & Commerce and the vice chairman of the Fujian International and Domestic Public Relations Association.

Chen Que, 43
Chief Operating Officer and Executive Director

Mr Chen was appointed to our Board on 1 December 2004 and was last elected on 25 April 2006. Mr Chen joined Fujian Atontech in 1994 as a factory manager, handling mainly production and engineering related operations. Thereafter, in 1995, he was promoted to deputy general manager, in charge of overseeing human resource, administrative and production activities. He is currently responsible for the general administration of our Group, including human resource management and our procurement and production process.

From left: Kusnadi Lybianto, Chen Li Hui, Chen Que, Ng Cher Yan and Sim Yong Chan

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

Ng Cher Yan, 48

Independent Director

Mr Ng was appointed to our Board on 13 September 2005 and was last elected on 25 April 2006. He is the Chairman of the Audit and Remuneration Committees and a member of the Nominating Committee. He is currently practising in CY Ng & Co, a firm of Certified Public Accountants which he set up in 1990. He started his career with Pricewaterhouse in 1983 and was with Pricewaterhouse up to 1989. Mr Ng has a Bachelor of Accountancy degree from the National University of Singapore. He is a fellow member of the Institute of Certified Public Accountants of Singapore and a member of the Institute of Chartered Accountants in Australia, and is also currently the chairman of Braddell Heights Constituency, Citizen's Consultative Committee. Mr Ng is also sitting on the board of several listed companies, such as Kian Ann Engineering Ltd, Serial System Limited, Ecowise Holdings Limited and Kinergy Limited.

Sim Yong Chan, 60

Independent Director

Mr Sim was appointed to our Board on 1 November 2004 and will be due for re-election at this coming AGM. He is the chairman of the Nominating Committee and a member of the Audit and Remuneration Committees. He is an advocate and solicitor and is the sole proprietor of Sim Yong Chan & Co. Mr Sim has over 25 years of experience in legal practice. He started his legal career with Chor Pee & Hin Hiong from 1973 to 1976. Thereafter, he left practice to join the family business. In 1984, he set up Sim Yong Chan & Co, and has been in legal practice ever since. Mr Sim has a Bachelor of Laws degree from the University of Singapore and a Master of Laws degree from the National University of Singapore. He is a member of the Singapore Institute of Directors, treasurer of the Association of Criminal Lawyers of Singapore, a fellow of the Singapore Institute of Arbitrators and the legal advisor to the Singapore Pasir Panjang Beach Road Market Vegetables and Fruits Dealers Association.

KEY EXECUTIVE Officers

Tan Yong Kwang, 34
Chief Financial Officer
Mr Tan joined our Group in November 2004 and is in charge of our Company's financial and accounting functions in Singapore. In addition, he is responsible for overseeing the financial reporting, accounting functions and compliance requirements relating to our Group with respect to Singapore laws and regulations, including the rules under the Listing Manual of the Singapore Exchange Securities Trading Limited. Prior to joining our Group, he was with the Assurance and Advisory Business Services division of Ernst & Young from July 2002. He was a manager when he left Ernst & Young in November 2004. From December 1999 to June 2002, he was with the Assurance division of Arthur Andersen. Prior to that he was with the Personal Tax Solutions division of PricewaterhouseCoopers. Mr Tan holds a Diploma in Business with Merit (majoring in Accounting and Finance) from Temasek Polytechnic. He is a fellow member of The Association of Chartered Certified Accountants and a non-practising member of the Institute of Certified Public Accountants of Singapore.

Zhou Ping, 47
General Manager (Technology, Research and Development)
Mr Zhou joined our Group in 1999 and through the years, he has been promoted from deputy factory manager (1999 to 2000) to factory manager (2000 to 2001) to deputy general manager (2001 to 2003) and to his current position in 2003. Mr Zhou is currently in charge of technology and research and development activities of our Group. Prior to joining our Group, from 1991 to 1999, Mr Zhou was with Unitex Plastics Co., Ltd. as an assistant engineer, responsible for overseeing the expansion of production lines and the general maintenance of the facilities. From 1982 to 1991, he was with Fujian Province Geosciences Exploration and Mechanic Factory. He started as a technician and was later promoted to assistant engineer in 1983 and engineer in 1987. Mr Zhou has a Bachelor of Science degree from Fuzhou University and is a certified Senior Engineer. He is a member of the China Plastics Processing Industry Association and the Fuzhou City Fujian Province Business Investment & Development Association.

Zhuang Qing, 42
General Manager (Finance, Investment and Business Development)
Mr Zhuang joined our Group in 2001 and is currently responsible for overseeing the financial and accounting functions of our Group's operations in the People's Republic of China. In addition, he is responsible for finance, investment activities and business development of our Group. From 1991 to 2001, he was with the Fuzhou branch of Hua Neng Power International Co., Ltd., first as a deputy general manager of the finance department from 1991 to 1995, and subsequently as a deputy general manager of the planning department from 1995 to 2001. He was pursuing his Master in Economics degree in the Wuhan College of Hydraulic and Electric Power (now known as Wuhan University) between 1988 to 1991. From 1984 to 1988, he was a supervisor heading the production department of Fujian ZhangPing Electric Power Plant. Mr Zhuang holds a Masters degree in Economics from Wuhan College of Hydraulic and Electric Power (now known as Wuhan University) and is a certified Senior Economist. He is a vice-chairman of Fujian Building Materials Accounting Institute, vice-chairman of Fujian Capital Management Institute and standing director of Fujian Province Joint Stock Company Institute.

CORPORATE Information

Board of Directors
Kusnadi Lybianto
Non-Executive Chairman

Chen Li Hui
Chief Executive Officer and Executive Director

Chen Que
Chief Operating Officer and Executive Director

Ng Cher Yan
Independent Director

Sim Yong Chan
Independent Director

Audit Committee
Ng Cher Yan, Chairman
Kusnadi Lybianto
Sim Yong Chan

Nominating Committee
Sim Yong Chan, Chairman
Kusnadi Lybianto
Ng Cher Yan

Remuneration Committee
Ng Cher Yan, Chairman
Kusnadi Lybianto
Sim Yong Chan

Joint Company Secretaries
Gn Jong Yuh Gwendolyn
Tan Yong Kwang

Registered Office
1 Robinson Road #18-00
AIA Tower
Singapore 048542
Telephone: (65) 6535 1944
Facsimile: (65) 6535 8577

Principal Place of Business
Jingyang Industrial Area of Fuqing City
Fujian Province 350304
The People's Republic of China

Company Registration Number
200411382N

Share Registrar
Lim Associates (Pte) Ltd
3 Church Street #08-01
Samsung Hub
Singapore 049483

Auditors
Ernst & Young
Certified Public Accountants
One Raffles Quay
North Tower Level 18
Singapore 048583

Partner-in-charge: Max Loh Khum Whai
Appointed since financial period ended 31 December 2004

Principal Banker
Industrial and Commercial Bank of China
Fuqing City Branch
No. 7 Jiangbin Road
Fuqing City Fujian Province
The People's Republic of China

REVIEW OF Operations

PROFIT AND LOSS

Revenue

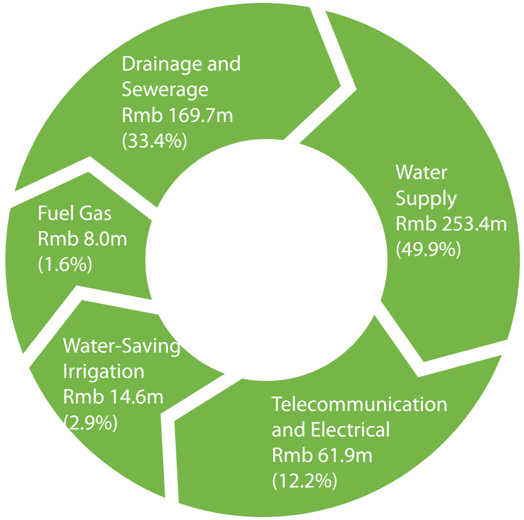
Our revenue increased by Rmb 70.3 million or 16.1% from Rmb 437.3 million in FY2005 to Rmb 507.6 million in FY2006. This increase was contributed by higher revenue registered by our drainage and sewerage segment, water supply segment, water-saving irrigation segment and fuel gas segment. Collectively, these four segments registered higher revenue of Rmb 70.4 million, from Rmb 375.3 million in FY2005 to Rmb 445.7 million in FY2006. The higher revenue registered was due to higher business volume from our existing customers and new customers secured as we continued to expand our customer base.

The revenue contribution from our telecommunication and electrical segment decreased by Rmb 0.1 million or 0.1% from Rmb 62.0 million in FY2005 to Rmb 61.9 million in FY2006. This was mainly due to the Group declining orders from less established customers where their projects are long term in nature as these customers tend to ask for longer credit period and are of higher credit risk.

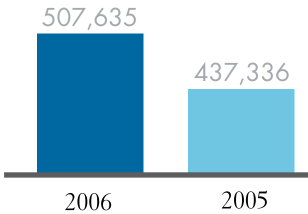
Gross profit and gross profit margin

Our gross profit increased by Rmb 19.4 million or 16.3% from Rmb 119.0 million in FY2005 to Rmb 138.4 million in FY2006. This was brought about by higher revenue in FY2006. Gross profit margin was stable at 27.3% in FY2006, as compared to 27.2% in FY2005.

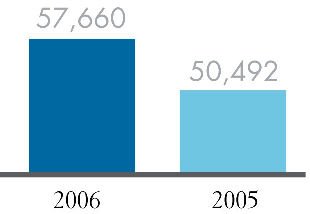
Revenue by Business Segments 2006



Revenue (Rmb'000)



Net Profit (Rmb'000)



Other operating income

Our other operating income increased by Rmb 0.2 million or 3.7% from Rmb 6.5 million in FY2005 to Rmb 6.7 million in FY2006. This increase was mainly due to a higher amount of bad trade receivables recovered in FY2006 of Rmb 0.2 million and higher amounts of government grants and subsidies, compensation income and other miscellaneous income received in FY2006 of Rmb 1.3 million, Rmb 0.2 million and Rmb 0.3 million respectively. The above increases were partially offset by a lower amount of negative goodwill arising from acquisition of minority interests in subsidiaries recognised as income in FY2006 of Rmb 1.8 million.

Selling and distribution expenses

Our selling and distribution expenses increased by Rmb 8.6 million or 38.0% from Rmb 22.8 million in FY2005 to Rmb 31.4 million in FY2006. This increase was mainly due to an increase in delivery and transportation expenses by Rmb 5.2 million which was incurred in line with our increase in revenue and the higher petrol prices in the PRC during FY2006. As we expanded our business operations, the headcount for our sales and marketing teams increased from 351 to 385 as at the end of FY2005 and FY2006 respectively, which led to an increase of Rmb 1.3 million in payroll and related expenses paid to our sales and marketing teams and an increase of Rmb 1.5 million in other miscellaneous expenses such as travelling expenses, entertainment expenses and depreciation expenses.

Administrative expenses

Our administrative expenses increased by Rmb 3.9 million or 23.0% from Rmb 17.1 million in FY2005 to Rmb 21.0 million in FY2006. This increase was mainly due to an increase in payroll expenses paid to our management, administrative and finance personnel by Rmb 1.4 million as a result of increased headcount and increased average wages. In addition, there was an increase in listing and other related expenses as a result of the Group's first full year as a listed group in Singapore.

Other operating expenses

Our other operating expenses decreased by Rmb 2.0 million or 30.1% from Rmb 6.6 million in FY2005 to Rmb 4.6 million in FY2006. This decrease was mainly due to a decrease in provision for inventory obsolescence, net of write-back by Rmb 2.3 million which resulted from a review of our inventory items and the corresponding provision required, a decrease in consultancy expenses by Rmb 0.6 million and a decrease in research and development expenses by Rmb 0.5 million. These decreases were partially offset by an increase in allowance for doubtful trade receivables, net of write-back by Rmb 1.4 million which resulted from a review of our accounts receivable and the corresponding allowance required.

Financial expense

Our financial expense decreased by Rmb 1.2 million or 10.6% from Rmb 11.5 million in FY2005 to Rmb 10.3 million in FY2006. This was mainly due to lower interest expense incurred as a lower amount of bank loans and borrowings was outstanding during FY2006 as compared to FY2005. These bank loans and borrowings were taken out mainly for our working capital purposes and to finance the purchase of additional equipment and production facilities.

Financial income
Our financial income increased by Rmb 55,000 or 29.1% from Rmb 189,000 in FY2005 to Rmb 244,000 in FY2006. This was mainly due to interest income earned from the placement of the initial public offering proceeds in short-term time deposits pending their specific deployment.

Tax expense
In line with the increase in our profitability, our tax expense increased by Rmb 2.1 million or 14.7% from Rmb 14.4 million in FY2005 to Rmb 16.5 million in FY2006.

BALANCE SHEET

Non-current assets
As at 31 December 2006, our non-current assets amounted to Rmb 233.4 million, an increase of Rmb 13.3 million or 6.0% compared to the preceding financial year end as at 31 December 2005. This increase was mainly due to an increase in property, plant and equipment of Rmb 25.5 million partially offset by a decrease in investment in associates of Rmb 12.2 million. The increase in property, plant and equipment was mainly due to additions of land use rights, plant and machinery and construction in progress to support our operations and business expansion and was partially offset by depreciation charge for FY2006 of Rmb 21.2 million. The decrease in investment in associates was mainly due to repayments made by our two associates for the trade and non-trade amounts owing by them and reclassification of the remaining trade amounts owing from non-current to current as the amounts become due and repayable in FY2007.

Current assets
As at 31 December 2006, our current assets amounted to Rmb 352.3 million, an increase of Rmb 51.6 million or 17.2% compared to the preceding financial year end as at 31 December 2005. This increase was mainly due to increases in inventories, accounts receivable, trade amounts due from associates and cash and bank balances by Rmb 15.5 million, Rmb 30.7 million, Rmb 0.9 million and Rmb 6.5 million respectively and partially offset by decreases in bills receivable from banks and commercial companies and prepayments, deposits and other receivables of Rmb 1.9 million and Rmb 0.1 million respectively.

The increase in inventories was mainly due to the stocking up of raw materials, consumables and finished goods in line with the increased business activities of our Group. Average inventory turnover days improved from 82 days in FY2005 to 79 days in FY2006.

The increase in accounts receivable was mainly due to the higher sales made in the second half of FY2006, thereby contributing to the build-up in accounts receivable as at 31 December 2006. Average accounts receivable turnover days improved from 93 days in FY2005 to 90 days in FY2006. This is as compared to the credit terms of 90 to 180 days generally granted to our customers.

The increase in trade amounts due from associates was mainly due to reclassification of the amounts from non-current to current as they become due and repayable in FY2007.

The increase in cash and bank balances was mainly attributable to cash inflows from operating activities partially offset by cash outflows from investing and financing activities such as purchase of property, plant and equipment and payments of dividend respectively.

The decrease in bills receivable from banks and commercial companies was mainly due to the decreased use of this facility.

The decrease in prepayments, deposits and other receivables was mainly due

As at 31 December 2006, our current assets amounted to Rmb 352.3 million, an increase of Rmb 51.6 million or 17.2% compared to the preceding financial year end as at 31 December 2005.

to decreases in deposits paid (such as for sale contracts secured and leases of premises), staff travelling advances and other receivables of Rmb 5.3 million, Rmb 0.8 million and Rmb 0.7 million respectively and partially offset by increases in prepayments (such as for purchase of raw materials and property, plant and equipment) and value-added tax receivables of Rmb 4.6 million and Rmb 2.1 million respectively.

Current liabilities

As at 31 December 2006, our current liabilities amounted to Rmb 242.9 million, an increase of Rmb 7.7 million or 3.3% compared to the preceding financial year end as at 31 December 2005. This increase was mainly due to increases in accounts payable, bills payable to banks and commercial companies, accrued liabilities and other payables and non-trade amounts due to associates by Rmb 2.3 million, Rmb 2.6 million, Rmb 8.1 million and Rmb 0.6 million respectively and partially offset by decreases in current portion of interest-bearing loans and borrowings, current portion of finance leases, income tax payable and dividend payable of Rmb 2.3 million, Rmb 0.2 million, Rmb 3.2 million and Rmb 0.2 million respectively.

The increase in accounts payable was mainly due to the higher purchases made in the second half of FY2006 in line with the increased business activities of our Group partially offset by payments made in view of the shorter credit terms granted as a result of the more competitive pricing given.

The increase in bills payable to banks and commercial companies was mainly due to the increased use of this facility as required by our suppliers.

The increase in accrued liabilities and other payables was mainly due to increases in advances received from customers for sales orders placed for our products which have yet to be delivered to them of Rmb 5.6 million, accrual for operating expenses including utilities expenses and audit fee partially offset by a decrease in accrued rental expenses of Rmb 1.4 million, other payables of Rmb 1.8 million and other taxes payables of Rmb 0.1 million. The above increases were in line with the increased business activities of our Group and were partially offset by decreases in land use rights payable, salary and welfare payable and deferred income of Rmb 0.2 million, Rmb 0.4 million and Rmb 0.2 million respectively.

The increase in non-trade amounts due to associates was mainly due to amounts owing for the purchase of production equipment.

The decreases in the current portion of interest-bearing loans and borrowings and current portion of finance leases were mainly due to repayments made during FY2006.

The decrease in income tax payable was mainly due to payments made during FY2006 totaling Rmb 19.7 million in respect of income tax for FY2005 and FY2006 partially offset by provision of income tax of Rmb 16.5 million made on our profit for FY2006.

The dividend payable of Rmb 0.5 million as at 31 December 2005 was paid during the first half of FY2006. The dividend payable of Rmb 0.3 million as at 31 December 2006 relates to the dividend payable to a minority shareholder of a subsidiary in respect of FY2006.

Non-current liabilities

As at 31 December 2006, our non-current liabilities amounted to Rmb 12.2 million, an increase of Rmb 5.6 million or 85.6% compared to the preceding financial year end as at 31 December 2005. This increase was mainly due to new interest-bearing loans and borrowings of Rmb 10.0 million taken out for our working capital purposes offset by decreases in term loan from an external party, interest-bearing loans and borrowings and finance leases of Rmb 0.3 million, Rmb 4.0 million and Rmb 0.1 million respectively as these amounts were reclassified from non-current to current as they become due and repayable in FY2007.

Shareholders' equity

Our shareholders' equity increased by Rmb 48.4 million or 18.7% from Rmb

259.0 million as at 31 December 2005 to Rmb 307.4 million as at 31 December 2006 mainly as a result of the net profit generated for FY2006 of Rmb 57.7 million partially offset by the payment of a dividend of Rmb 9.3 million to our Company's shareholders in respect of FY2005.

CASH FLOWS AND LIQUIDITY

For FY2006, net cash generated from operating activities amounted to Rmb 59.9 million. This arose from our operating profit before tax of Rmb 78.1 million, adjusted for non-cash items amounting to Rmb 31.1 million, cash outflow from a net increase in working capital requirements of Rmb 19.7 million, payment of interest expense (net of interest income) of Rmb 9.9 million and payment of income tax of Rmb 19.7 million.

For FY2006, net cash used in investing activities was Rmb 45.9 million which was mainly due to the purchase of property, plant and equipment of Rmb 46.7 million partially offset by the capital contribution made by a minority shareholder of a subsidiary of Rmb 0.8 million.

For FY2006, net cash used in financing activities was Rmb 13.5 million. This was mainly due to the payment of dividends to minority shareholders of subsidiaries and shareholders of our Company of Rmb 1.3 million and Rmb 9.3 million respectively, the repayment of loan from an external party, bank loans and finance leases of Rmb 0.5 million, Rmb 131.0 million and Rmb 0.2 million respectively and the increase in pledged deposits of Rmb 6.0 million which were partially offset by the proceeds from new bank loans of Rmb 134.8 million. The new bank loans were for the purposes of capital expenditure as well as working capital.

Based on the above, we had a net increase in cash and cash equivalents of Rmb 0.5 million in FY2006 and our cash and cash equivalents stood at Rmb 63.2 million as at 31 December 2006.

CORPORATE GOVERNANCE REPORT

Sinopipe Holdings Limited (the "Company") is committed to maintaining a high standard of corporate governance and has put in place self-regulatory corporate practices to protect the interests of its shareholders and enhance long-term shareholder value.

This Corporate Governance Report describes the Company's corporate governance processes and activities. For proper reference, the relevant provisions of the Code of Corporate Governance (the "Code") under discussion are identified in bold.

In line with the Code, the Board of Directors (the "Board") hereby confirms that the Company has adhered to the principles and guidelines of the Code and all deviations from the Code are disclosed and explained.

BOARD OF DIRECTORS

Principle 1 : Board's Conduct of its Affairs

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

(1) providing entrepreneurial leadership, setting strategic aims, and ensuring that the necessary financial and human resources are in place for the Group to meet its objectives;

(2) establishing a framework of prudent and effective controls which enables risk to be assessed and managed;

(3) reviewing Management performance;

(4) setting the Group's values and standards, and ensuring that obligations to shareholders and others are understood and met;

(5) ensuring the Group's compliance to laws, regulations, policies, directives, guidelines and internal code of conduct;

(6) assuming responsibilities for good corporate governance practices; and

(7) approving half-year and full-year result announcements.

The Company has adopted internal guidelines setting forth matters that require Board approval examples of which include corporate plans and budgets, material acquisitions and disposals of assets, share issuances, dividends and other returns to shareholders. All Directors objectively take decisions in the interests of the Company. The Board also delegates certain of its functions to the Audit, Nominating and Remuneration Committees and these functions are described separately under the various sections of each Committee below. Each Committee has its own defined terms of reference and operating procedures.

CORPORATE GOVERNANCE REPORT

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

The number of meetings held in respect of the financial year 2006 and the attendance of the Directors are set out in the table below:

Directors' attendance at Board and Board Committee Meetings								
	Board Meeting		**Audit Committee Meeting**		**Nominating Committee Meeting**		**Remuneration Committee Meeting**	
Name of Directors	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Kusnadi Lybianto	4	4	4	4	1	1	1	1
Chen Li Hui	4	4	4	4 *	1	1 *	1	1 *
Chen Que	4	4	4	4 *	1	1 *	1	1 *
Ng Cher Yan	4	4	4	4	1	1	1	1
Sim Yong Chan	4	4	4	4	1	1	1	1

* Attendance by invitation

On appointment of new Directors, the Company will provide a formal letter to them setting out their duties and obligations. In addition, the new Directors will undergo an orientation program where the Chief Executive Officer will brief them on the Group's business, policies and governance practices to ensure that they are familiar with them. Directors and key executives undergo relevant training to enhance their skills and knowledge, particularly on new laws, regulations and changing risks affecting the Group's operations. Other forms of training include governance practices and training in accounting, legal and industry-specific knowledge.

Principle 2 : Board Composition and Guidance

The Board comprises:

Kusnadi Lybianto (Non-Executive Chairman)
Chen Li Hui (Chief Executive Officer and Executive Director)
Chen Que (Chief Operating Officer and Executive Director)
Ng Cher Yan (Independent Director)
Sim Yong Chan (Independent Director)

CORPORATE GOVERNANCE REPORT

The Board has examined its size and, taking into account the nature and scope of the Group's operations and the impact of the number of Directors upon effectiveness in decision making, is of the view that the current board size of five Directors is appropriate with at least one-third of the Directors being independent. The Board exercises judgment on corporate affairs objectively and independently, in particular, from Management and no individual or small group of individuals dominates the Board's decision making.

The Independent Directors consist of respected individuals from different backgrounds whose core competencies, qualifications, skills and experience are extensive and complementary and these competencies include accounting, finance and business management. None of the Independent Directors have any relationship with the Company, its related companies or its officers that could interfere, or be perceived to interfere, with the exercise of their independent business judgment with a view to the best interests of the Company.

The Non-Executive Directors constructively challenge and help develop proposals on strategy and also review the performance of Management in meeting agreed goals and objectives, and monitor the reporting of performance. They meet regularly on their own without the presence of Management.

The composition of the Board and independence of each Non-Executive Director will be reviewed annually by the Nominating Committee.

Principle 3 : Role of Chairman and Chief Executive Officer

The Company keeps the posts of Chairman and Chief Executive Officer ("CEO") separate, thus ensuring an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making and these positions are held by Kusnadi Lybianto and Chen Li Hui respectively. The division of responsibilities between the Chairman and the CEO has been clearly established, set out in writing and agreed by the Board. The Chairman and the CEO are not related to each other. The CEO is primarily responsible for the overall management, strategic planning and business development of the Group, while the Chairman is responsible for the effective working of the Board. The responsibilities of the Chairman include:

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

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

Nominating Committee

Principle 4 : Board Membership

Principle 5 : Board Performance

The members of the Nominating Committee ("NC") are as follows:

Sim Yong Chan	(Chairman)
Kusnadi Lybianto	(Member)
Ng Cher Yan	(Member)

The NC is made up of three Non-Executive Directors with two of them, including the Chairman being independent. The NC is scheduled to meet at least once a year and had met on 15 February 2007. The NC is regulated by a set of terms of reference and its role is to establish a formal and transparent process for:

1. making recommendations to the Board on all Board appointments;

2. re-nomination of the Directors having regard to each Director's contribution and performance, including, if applicable, as an Independent Director;

3. determining annually whether or not a Director is independent; and

4. deciding whether or not a Director is able to and has adequately carried out his duties as a director.

In the selection and nomination for new Directors, the NC identifies the key attributes that an incoming Director should have, based on attributes of the existing Board and the requirements of the Group. After endorsement by the Board of the key attributes, the NC taps on the resources of the Directors' personal contacts for recommendations of potential candidates. Executive recruitment agencies may also be appointed to assist in the search process where necessary. The potential candidates will go through a shortlisting process. Interviews are then set up with the shortlisted candidates for the NC to assess them before a decision is made.

CORPORATE GOVERNANCE REPORT

New Directors are appointed by way of a board resolution, after the NC has approved their nominations. Such new Directors submit themselves for re-election at the next Annual General Meeting ("AGM") of the Company. Pursuant to the Articles of Association of the Company, all Directors are required to submit themselves for re-election at least once every three years. Profiles of the Directors are found on pages 8 and 9 of this Annual Report. In addition, pursuant to the Companies Act, Cap. 50, a Director who attains the age of 70 years may, by an ordinary resolution passed at an AGM of the Company be re-appointed as a Director of the Company to hold office until the next AGM. The Directors who are retiring and who, being eligible, will offer themselves for re-appointment or re-election at the forthcoming AGM are named below:

Name of Director	Date of appointment	Due for re-appointment	Due for re-election
Kusnadi Lybianto	25 April 2006	√	
Chen Li Hui	1 December 2004		√
Chen Que	1 December 2004		
Ng Cher Yan	13 September 2005		
Sim Yong Chan	1 November 2004		√

The NC Chairman is not, and is not directly associated with, a substantial shareholder with interest of 5% or more in the voting shares of the Company.

Although the Independent Directors hold directorships in other companies which are not in the Group, the Board is of the view that such multiple board representations do not hinder them from carrying out their duties as Directors. These Directors would widen the experience of the Board and give it a broader perspective.

The NC has established a formal appraisal process to assess the performance and effectiveness of the Board as a whole as well as to assess the contribution of individual Directors. The appraisal process focuses on a set of performance criteria which includes the evaluation of the Board composition and size, the Board process, the Board effectiveness and training, provision of information to the Board and the Board standards of conduct. Such performance criteria are approved by the Board and they address how the Board has enhanced long term shareholders' value. The performance criteria do not change unless circumstances deem it necessary and a decision to change them would be justified by the Board.

The Board has taken the view that financial indicators as set out in the Code as a guide for the evaluation of the Board may not be appropriate as they are more of a measurement of Management's performance and therefore less applicable to Directors.

CORPORATE GOVERNANCE REPORT

Audit Committee

Principle 11 : Audit Committee

Principle 12 : Internal Controls

Principle 13 : Internal Audit

The Audit Committee ("AC") comprises the following Directors:

Ng Cher Yan	(Chairman)
Kusnadi Lybianto	(Member)
Sim Yong Chan	(Member)

The AC is comprised of three Non-Executive Directors with two of them, including the Chairman being independent. The AC is scheduled to meet at least four times a year and for the financial year 2006, it had met four times. The AC is regulated by a written set of terms of reference and performs the following functions:

1. reviewing significant financial reporting issues and judgments so as to ensure the integrity of the financial statements and any formal announcements relating to the Group's financial performance before their submission to the Board;

2. reviewing the audit plans of the Company's external and internal auditors and the results of their examination;

3. reviewing the co-operation given by the Group's officers to the external and internal auditors;

4. reviewing adequacy and effectiveness of the Group's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditors;

5. reviewing the effectiveness of the Group's internal audit function;

6. nominating or recommending the nomination of the external auditors for appointment, re-appointment or removal;

7. approving the remuneration and terms of engagement of the external auditors;

8. reviewing the independence and objectivity of the external auditors at least annually; and

9. reviewing interested person transactions.

CORPORATE GOVERNANCE REPORT

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

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

The external and internal auditors have full access to the AC. While the AC supports the recommendation of the Code as regards the putting in place of arrangements for employees of the Group to raise concerns about possible improprieties in matters of financial reporting or other matters in confidence, the AC would like to make further observations on the development of such arrangements and more importantly the development of legislation to protect the whistle blower. The AC has express power to commission investigations into any matters, which has or is likely to have material impact on the Group's operating results or financial results.

For the financial year 2006, the AC met once with the external auditors without the presence of the Management. The AC has undertaken a review of all non-audit services provided by the external auditors for the financial year 2006, has kept the nature and extent of such services under review, has balanced the maintenance of objectivity and value for money and is satisfied that the provision of such services has not in the AC's opinion affect the independence of the external auditors.

The Board ensures the Management maintains a sound system of internal controls to safeguard the shareholders' investment and the Group's assets. Certain internal accounting control weaknesses that the external auditors became aware of during their audit for the financial year ended 31 December 2006 have been communicated in their letter to Management and reported to the AC. Management will follow up on the external auditors' recommendations in an effort to strengthen the Group's internal control systems.

The Company has established an internal audit function that is independent of the activities it audits. As recommended by the AC, the Company has outsourced the internal audit function to an independent accounting and auditing firm, Howarth First Trust (formerly known as First Trust Partnership), a firm of certified public accountants. The internal auditors will report to the Chairman of the AC on audit matters and to the Chief Financial Officer for administrative matters. The internal audit plan will be approved by the AC and the results of the audit findings will be submitted to the AC for its review. For the financial year 2006, the internal auditors have reviewed key internal controls in selected areas as advised by the AC and have reported their findings together with recommendations on areas of improvement to the AC for review and approval, so as to have better and more effective internal controls. The AC is satisfied that the Group's internal audit function is adequately outsourced, resourced and has appropriate standing within the Group, that the internal auditors meet the standards set by nationally recognised professional bodies like the Singapore Standards on Auditing issued by the Institute of Certified Public Accountants of Singapore and that there are adequate internal controls in the Group, including financial, operational and compliance controls and risk management. For the financial year 2006, the AC met once with the internal auditors without the presence of Management.

CORPORATE GOVERNANCE REPORT

Remuneration Matters

Principle 7 : Procedures for Developing Remuneration Policies

Principle 8 : Level and Mix of Remuneration

Principle 9 : Disclosure on Remuneration

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

Ng Cher Yan	(Chairman)
Kusnadi Lybianto	(Member)
Sim Yong Chan	(Member)

The RC is made up of entirely Non-Executive Directors with two of them, including the Chairman being independent so as to minimise the risk of any potential conflict.

The RC is scheduled to meet at least once a year and had met on 15 February 2007. The RC is regulated by a set of terms of reference and has access to independent professional advice inside and outside the Company, if necessary, in respect of the remuneration of all Directors and key executives.

The RC's main duties are:

1. to review and recommend to the Board a framework of remuneration and to determine the specific remuneration packages and terms of employment for each of the Directors and key executives, including those employees related to the Executive Directors and controlling shareholders of the Group, if any, bearing in mind the need for a cautious comparison (in order to prevent the risk of an upward ratchet of remuneration levels with no corresponding improvements in performance) of pay and employment conditions of comparable companies in the same or similar industries, and to submit such recommendations for endorsement by the entire Board; and

2. to carry out its duties in the manner that it deemed expedient, subject always to any regulations or restrictions that may be imposed upon the RC by the Board from time to time.

CORPORATE GOVERNANCE REPORT

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

1. all aspects of remuneration, including Directors' fees, salaries, allowances, bonuses, options and benefits-in-kinds are covered;

2. the remuneration packages of Directors and key executives are comparable to companies in same or similar industries and that a significant proportion of such remuneration packages include performance-related elements;

3. the performance-related elements mentioned above are designed to align interests of Executive Directors with those of shareholders, that they link rewards to corporate and individual performance and that there are appropriate and meaningful measures for the purpose of assessing such performance-related elements in respect of Executive Directors;

4. the level of remuneration of Non-Executive Directors are appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the Directors, but also bearing in mind that Non-Executive Directors are not over-compensated to the extent that their independence may be compromised;

5. the level of remuneration is appropriate to attract, retain and motivate the Directors needed to run the Group successfully without such levels being more than is necessary for this purpose; and

6. the remuneration package of employees related to Executive Directors and controlling shareholders of the Group are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibilities.

The Company adopts a formal and transparent procedure for developing policy on key executive remuneration and for fixing remuneration packages of individual Directors. No Director is involved in deciding his own remuneration. In setting remuneration packages, the Company takes into account pay and employment conditions of comparable companies in the same or similar industries, as well as the Group's relative performance and the performance of the individual Director or key executive.

Executive Directors do not receive directors' fees. The remuneration policy for Executive Directors and key executives consists of two components, that is fixed cash and annual variable. The fixed component includes salary, pension fund contributions and other allowances. The variable component comprises a performance based bonus which forms a significant proportion of the total remuneration package of Executive Directors and is payable on the achievement of corporate and individual performance targets. The Company has no long-term incentive schemes such as offer of shares or granting of options in place as it considers that it is not cost effective to administer such schemes currently.

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

CORPORATE GOVERNANCE REPORT

The Executive Directors are paid in accordance with their respective service agreements as disclosed on pages 137 and 138 of the Company's Prospectus dated 30 November 2005. These service agreements are not excessively long and they do not have onerous removal clauses. The Executive Directors or the Company may terminate the service agreement by giving to the other party not less than three months' notice in writing, or in lieu of notice, payment of an amount equivalent to three months' salary based on the Executive Director's last drawn salary. A breakdown, showing the level and mix of each individual Director's remuneration for the financial year 2006 is as follows:

Name of Director	Remuneration Band S$	Salary and Fees %	Performance Bonus %	Other Benefits %	Total Remuneration %
Executive Directors					
Chen Li Hui	< 250,000	35	65	–	100
Chen Que	< 250,000	39	61	–	100
Non–Executive Directors					
Kusnadi Lybianto	< 250,000	100	–	–	100
Ng Cher Yan	< 250,000	100	–	–	100
Sim Yong Chan	< 250,000	100	–	–	100

The Company has only three key executives and disclosure of their remuneration in bands of S$250,000 for the financial year 2006 is as follows:

Name of Key Executive	Remuneration Band S$	Salary %	Performance Bonus %	Other Benefits %	Total Remuneration %
Tan Yong Kwang	< 250,000	93	7	–	100
Zhou Ping	< 250,000	100	–	–	100
Zhuang Qing	< 250,000	100	–	–	100

In the financial year 2006, there was one employee of the Group who is related to our Directors and substantial shareholders. This employee was Chen Li Ping (sister of our CEO and Executive Director, Chen Li Hui), a finance executive of the Group. The aggregate remuneration of Chen Li Ping for the financial year 2006 is less than S$150,000. The basis of determining the remuneration of this related employee was the same as the basis of determining the remuneration of unrelated employees.

CORPORATE GOVERNANCE REPORT

Principle 6 : Access to Information

In order to ensure that the Board is able to fulfill its responsibilities, Management provides the Board members with monthly management accounts and all relevant information. In addition, all relevant information on material events and transactions are circulated to Directors as and when they arise. Whenever necessary, senior management staff will be invited to attend the Board meetings and AC meetings to answer queries and provide detailed insights into their areas of operations. A quarterly report of the Group's activities is also provided to the Directors.

The Board, either individually or as a group, in the discharge of its duties, has access to independent professional advice, if necessary, at the Company's expense.

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

COMMUNICATION WITH SHAREHOLDERS

Principle 10 : Accountability

Principle 14 : Communication with Shareholders

Principle 15 : Greater Shareholder Participation

The Company recognises the need to communicate regularly, effectively and fairly with shareholders on all material matters affecting the Group and does not practice selective disclosure. In this respect, the Board presents a balanced and understandable assessment of the Group's performance, position and prospects and such responsibility extends to price sensitive announcements, including interim and full-year results and reports to regulators, if any, all of which are released through SGXNET. All press releases are announced through SGXNET before they are published. Where there is inadvertent disclosure made to a selected group, the Company ensures that the same is disclosed publicly to all others as soon as practicable. To date, there are no such inadvertent disclosures.

The Company may also hold media meetings on significant events.

CORPORATE GOVERNANCE REPORT

All shareholders of the Company receive the Annual Report and notice of the upcoming AGM. At AGMs, shareholders are encouraged to participate and are given the opportunity to air their views and ask questions regarding the Group and its businesses. Separate resolutions on each substantially separate issue are proposed at general meetings for approval. "Bundling" of resolutions are kept to a minimum and are done only where the resolutions are interdependent so as to form one significant proposal and only where there are reasons and material implications involved. The external auditors and legal advisors (if necessary) are present to assist the Directors in addressing any queries by shareholders. In addition, the chairpersons of the AC, NC and RC are present to answer questions at AGM.

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

The Management also provides all members of the Board with management accounts which present a balanced and understandable assessment of the Group's performance, position and prospects on a monthly basis.

The Articles of Association of the Company allow a member of the Company to appoint one or two proxies to attend and vote instead of the member. Voting in absentia and electronic mail may only be possible following careful study to ensure the integrity of the information and authentication of the identity of members through the web is not compromised and is also subject to legislative amendment to recognise electronic voting.

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

DEALINGS IN SECURITIES

The Company has adopted and implemented a code of conduct governing securities transactions by its Directors and key officers based on the guidelines set out in the Best Practices Guide of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "SGX-ST").

Under the code of conduct, the Directors and key officers are prohibited from dealing in the Company's securities at least one month before the announcement of the Company's interim and full-year results until one day after the release of the announcement. This meets the guidance found in the Best Practices Guide of the Listing Manual.

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

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

CORPORATE GOVERNANCE REPORT

The Directors and key officers are periodically reminded of all requirements of the code of conduct and all applicable laws via the regular circulation of internal memoranda. Even though compliance with the Best Practices Guide of the Listing Manual is not mandatory, the internal memoranda ensure that the Directors and key officers are aware that they are subject to requirements set out in applicable law. Each key officer is required to submit a declaration annually that he is in compliance with and has not breached the code of conduct.

In the above circumstances, in the opinion of the Directors, the Company has complied with the Best Practices Guide on Securities Transactions issued by the SGX-ST and with the Company's code of conduct and thus there is a high standard of corporate governance which will promote investor confidence in the Company's management.

MATERIAL CONTRACTS

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

RISK MANAGEMENT

The Group regularly reviews and improves its business and operational activities to identify areas of significant business risks as well as to take appropriate measures to control and mitigate these risks. The Group reviews all significant control policies and procedures and highlights all significant matters to the AC and the Board.

INTERESTED PERSON TRANSACTIONS

The Group has adopted an internal policy in respect of any transaction with interested party within the definition of Chapter 9 of the Listing Manual of the SGX-ST and has set out procedures for review and approval of all interested person transactions.

There are no interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual of the SGX-ST.

Excluding transactions less than S$100,000, other than the provision of security by Fuqing Aton Innovation Building Materials Co., Ltd. as disclosed below, there are no other interested person transactions during the financial year under review.

CORPORATE GOVERNANCE REPORT

Fuqing Aton Innovation Building Materials Co., Ltd. had, pursuant to a security agreement signed with Fuqing Municipal Financial Bureau dated 30 July 2004, provided security in the form of a mortgage over the land-use rights over one of its properties situated at Shangdian Guankou Village, Bolan, Jingyang Town, Fuqing City, Fujian Province, the People's Republic of China, for a long-term loan of Rmb 3,860,000 granted by the Fuqing Municipal Financial Bureau to one of our subsidiary, Fujian Aton Advanced Materials Science and Technology Co., Ltd. for the purchase of raw materials for its projects. Under the terms of the loan agreement, the loan is interest-free and is repayable over a period of 11 years commencing on 30 July 2006 in 10 equal instalments of Rmb 350,000 each and a final instalment of Rmb 360,000. During the financial year ended 31 December 2006, other than the scheduled payment of Rmb 350,000, an additional payment of Rmb 150,000 was made as requested by the Fuqing Municipal Financial Bureau. As at 31 December 2006, the remaining loan outstanding was Rmb 3,360,000. Fuqing Aton Innovation Building Materials Co., Ltd. has given an undertaking to our Group to provide the security given to the Fuqing Municipal Financial Bureau under the loan as long as it is required by the Fuqing Municipal Financial Bureau.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors are pleased to present their report to the members together with the audited consolidated financial statements of Sinopipe Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2006.

Directors

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

Kusnadi Lybianto, Non-Executive Chairman (re-appointed on 25 April 2006)
Chen Li Hui, Chief Executive Officer and Executive Director
Chen Que, Chief Operating Officer and Executive Director
Ng Cher Yan, Independent Director
Sim Yong Chan, Independent Director

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose object is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under section 164 of the Singapore Companies Act, Cap. 50, an interest in shares of the Company and related corporations (other than wholly-owned subsidiaries), as stated below:

	Direct interest		Deemed interest	
	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
The Company (ordinary shares)				
Kusnadi Lybianto	52,727,160	52,727,160	–	–
Chen Li Hui	–	–	39,045,895	39,045,895

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2007.

By virtue of section 7 of the Singapore Companies Act, Cap. 50, Kusnadi Lybianto and Chen Li Hui are deemed to have interests in shares of the subsidiaries of the Company.

DIRECTORS' REPORT

Directors' interests in shares and debentures (cont'd)

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Options

No options were issued by the Company or its subsidiaries during the financial year. As at 31 December 2006, there were no options on the unissued shares of the Company or its subsidiaries which were outstanding.

Audit committee

The audit committee carried out its functions in accordance with section 201B(5) of the Singapore Companies Act, Cap. 50. Further details regarding the audit committee are disclosed in the Corporate Governance Report.

Auditors

Ernst & Young have expressed their willingness to accept reappointment as auditors.

On behalf of the board of directors

Chen Li Hui
Director

Chen Que
Director

Singapore
12 March 2007

STATEMENT BY DIRECTORS

We, Chen Li Hui and Chen Que, being two of the directors of Sinopipe Holdings Limited, do hereby state that, in the opinion of the directors,

(i) the accompanying balance sheets, consolidated profit and loss account, statements of changes in equity and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2006, and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date, and

(ii) 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 board of directors

Chen Li Hui
Director

Chen Que
Director

Singapore
12 March 2007

INDEPENDENT AUDITORS' REPORT

to the Members of Sinopipe Holdings Limited

We have audited the accompanying financial statements of Sinopipe Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 37 to 96, which comprise the balance sheets of the Group and the Company as at 31 December 2006, the statements of changes in equity of the Group and the Company, the profit and loss account and cash flow statement of the Group 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 auditor's 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 auditor considers 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.

INDEPENDENT AUDITORS' REPORT
to the Members of Sinopipe Holdings Limited

Opinion

In our opinion,

(i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity 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 Group and of the Company as at 31 December 2006 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and

(ii) 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.

ERNST & YOUNG
Certified Public Accountants

Singapore
12 March 2007

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2006

(Amounts expressed in Renminbi)

	Note	Group 2006 Rmb'000	Group 2005 Rmb'000
Revenue	3	507,635	437,336
Cost of sales		(369,211)	(318,309)
Gross profit		138,424	119,027
Other operating income	4	6,747	6,505
Selling and distribution expenses		(31,398)	(22,755)
Administrative expenses		(20,989)	(17,062)
Other operating expenses	5	(4,581)	(6,554)
Profit from operations	6	88,203	79,161
Financial expense	7	(10,341)	(11,571)
Financial income	7	244	189
Share of results of associates		(39)	(30)
Profit before tax		78,067	67,749
Tax expense	8	(16,467)	(14,362)
Profit for the year		61,600	53,387
Attributable to:			
Equity holders of the Company		57,660	50,492
Minority interests		3,940	2,895
		61,600	53,387
Earnings per share (Rmb cents)	9		
- Basic		30.74	35.81
- Diluted		30.74	35.81

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS

as at 31 December 2006

(Amounts expressed in Renminbi)

	Note	Group 2006 Rmb'000	Group 2005 Rmb'000	Company 2006 Rmb'000	Company 2005 Rmb'000
Non-current assets					
Property, plant and equipment	10	230,115	204,673	12	16
Investment in subsidiaries	11	–	–	135,854	135,854
Investment in associates	12	3,235	15,409	–	–
		233,350	220,082	135,866	135,870
Current assets					
Inventories	13	85,264	69,749	–	–
Accounts receivable	14	134,601	103,929	–	–
Bills receivable from banks and commercial companies	15	8,411	10,268	–	–
Prepayments, deposits and other receivables	16	43,999	44,123	–	44
Amounts due from subsidiaries (non-trade)	17	–	–	66,491	28,403
Amounts due from associates (trade)		960	–	–	–
Cash and bank balances		79,100	72,628	58	32,064
		352,335	300,697	66,549	60,511
Current liabilities					
Accounts payable		28,688	26,350	–	–
Bills payable to banks and commercial companies	18	23,577	21,009	–	–
Accrued liabilities and other payables	19	49,744	41,676	485	570
Amounts due to associates (non-trade)	17	575	–	–	–
Current portion of term loan from an external party	20	350	350	–	–
Current portion of interest-bearing loans and borrowings	21	135,560	137,810	–	–
Current portion of finance leases	22	85	256	–	–
Income tax payable		4,000	7,244	–	–
Dividend payable		288	453	–	–
		242,867	235,148	485	570
Net current assets		109,468	65,549	66,064	59,941

BALANCE SHEETS

as at 31 December 2006

	Note	Group 2006 Rmb'000	Group 2005 Rmb'000	Company 2006 Rmb'000	Company 2005 Rmb'000
Non-current liabilities					
Term loan from an external party	20	2,250	2,516	–	–
Interest-bearing loans and borrowings	21	10,000	4,000	–	–
Finance leases	22	–	85	–	–
		12,250	6,601	–	–
Net assets		330,568	279,030	201,930	195,811
Equity attributable to equity holders of the Company					
Share capital	23	184,156	182,068	184,156	182,068
Share premium	24	–	2,088	–	2,088
Restructuring reserve	25	(44,093)	(44,093)	–	–
Reserves	26	39,094	30,768	–	–
Accumulated profits		128,265	88,226	17,774	11,655
		307,422	259,057	201,930	195,811
Minority interests		23,146	19,973	–	–
Total equity		330,568	279,030	201,930	195,811

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2006

(Amounts expressed in Renminbi)

	Attributable to equity holders of the Company						
Group	**Share capital** Rmb'000	**Share premium** Rmb'000	**Restructuring reserve** Rmb'000	**Reserves** Rmb'000	**Accumulated profits** Rmb'000	**Minority interests** Rmb'000	**Total equity** Rmb'000
At 1 January 2005	127,976	–	(44,093)	23,409	41,826	22,319	171,437
Effect of adopting FRS 103	–	–	–	–	3,633	–	3,633
At 1 January 2005 as restated	127,976	–	(44,093)	23,409	45,459	22,319	175,070
Net profit for the year	–	–	–	–	50,492	2,895	53,387
Total recognised income for the year	–	–	–	–	50,492	2,895	53,387
Arising from subsidiaries incorporated during the year which are not wholly owned	–	–	–	–	–	1,447	1,447
Acquisition of additional equity interest in an associate, making it a subsidiary	–	–	–	–	–	2,058	2,058
Acquisition of additional equity interests in subsidiaries	–	–	–	–	–	(8,517)	(8,517)
Adjustment to accumulated profits and reserves	–	–	–	51	(417)	–	(366)
Issue of shares pursuant to restructuring exercise	7,878	–	–	–	–	–	7,878
Issue of shares pursuant to initial public offering	46,214	13,864	–	–	–	–	60,078
Share issue expenses	–	(11,776)	–	–	–	–	(11,776)
Dividend payable to a minority shareholder of a subsidiary	–	–	–	–	–	(229)	(229)
Appropriation to reserves	–	–	–	7,308	(7,308)	–	–
At 31 December 2005 and 1 January 2006	182,068	2,088	(44,093)	30,768	88,226	19,973	279,030
Net profit for the year	–	–	–	–	57,660	3,940	61,600
Total recognised income for the year	–	–	–	–	57,660	3,940	61,600
Transfer of share premium to share capital (Notes 23 and 24)	2,088	(2,088)	–	–	–	–	–
Capital contribution made by a minority shareholder of a subsidiary	–	–	–	–	–	804	804
Acquisition of additional equity interest in a subsidiary	–	–	–	–	–	(463)	(463)
Dividends paid/payable to minority shareholders of subsidiaries	–	–	–	–	–	(1,108)	(1,108)
Appropriation to reserves	–	–	–	8,326	(8,326)	–	–
Dividend (Note 27)	–	–	–	–	(9,295)	–	(9,295)
At 31 December 2006	184,156	–	(44,093)	39,094	128,265	23,146	330,568

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2006

Company	**Share capital** Rmb'000	**Share premium** Rmb'000	**Accumulated profits (losses)** Rmb'000	**Total equity** Rmb'000
At 1 January 2005	– *	–	(87)	(87)
Net profit for the year	–	–	11,742	11,742
Total recognised income for the year	–	–	11,742	11,742
Issue of shares pursuant to restructuring exercise	135,854	–	–	135,854
Issue of shares pursuant to initial public offering	46,214	13,864	–	60,078
Share issue expenses	–	(11,776)	–	(11,776)
At 31 December 2005 and 1 January 2006	182,068	2,088	11,655	195,811
Net profit for the year	–	–	15,414	15,414
Total recognised income for the year	–	–	15,414	15,414
Transfer of share premium to share capital (Notes 23 and 24)	2,088	(2,088)	–	–
Dividend (Note 27)	–	–	(9,295)	(9,295)
At 31 December 2006	184,156	–	17,774	201,930

* Less than Rmb 1,000

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2006

(Amounts expressed in Renminbi)

	Group	
	2006	**2005**
	Rmb'000	Rmb'000
		(Note 33)
Cash flows from operating activities		
Profit before tax	78,067	67,749
Adjustments:		
Depreciation of property, plant and equipment	21,215	17,961
Share of results of associates	39	30
Amortisation of deferred income relating to term loan from an external party	(234)	(175)
Negative goodwill arising from acquisition of minority interests in subsidiaries	(13)	(1,781)
Loss on disposal of property, plant and equipment	28	41
Interest expense	10,341	11,571
Interest income	(244)	(189)
Operating profit before working capital changes	109,199	95,207
Decrease (increase) in:		
Inventories	(15,515)	2,891
Accounts receivable	(30,672)	10,439
Bills receivable from banks and commercial companies	1,857	(6,447)
Prepayments, deposits and other receivables	124	(11,318)
Amounts due from associates	11,175	(8,002)
Increase (decrease) in:		
Accounts payable	2,338	1,694
Bills payable to banks and commercial companies	2,568	(127)
Accrued liabilities and other payables	7,852	8,056
Amounts due to associates (non-trade)	575	–
Amounts due to a related party (trade)	–	(413)
Amounts due to related parties (non-trade)	–	(2,364)
Amounts due to a director of the Company (non-trade)	–	(1,819)
Cash generated from operations	89,501	87,797
Interest expense paid	(10,107)	(11,396)
Interest income received	244	189
Income tax paid	(19,711)	(9,932)
Net cash generated from operating activities	59,927	66,658

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2006

	Note	Group 2006 Rmb'000	Group 2005 Rmb'000 (Note 33)
Cash flows from investing activities			
Purchase of property, plant and equipment		(46,713)	(44,066)
Proceeds from disposal of property, plant and equipment		28	3,205
Capital contribution made by minority shareholders of subsidiaries		804	1,447
Acquisition of a subsidiary, net of cash and cash equivalents	A	–	223
Investment in an associate		–	(914)
Net cash used in investing activities		(45,881)	(40,105)
Cash flows from financing activities			
Dividends paid to minority shareholders of subsidiaries		(1,273)	–
Dividend paid		(9,295)	–
Repayment of loan from an external party		(500)	–
Proceeds from initial public offering of shares		–	60,078
Share issue expenses paid		–	(11,776)
Proceeds from new bank loans		134,760	113,510
Repayment of bank loans		(131,010)	(142,960)
Repayment of finance leases		(256)	(256)
Increase in pledged bank balances		(5,959)	(3,439)
Net cash (used in) generated from financing activities		(13,533)	15,157
Net increase in cash and cash equivalents		513	41,710
Cash and cash equivalents at the beginning of financial year		62,731	21,021
Cash and cash equivalents at the end of financial year	B	63,244	62,731

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2006

Notes to consolidated cash flow statement

Note A: Acquisition of subsidiary

The fair value of attributable assets and liabilities of the subsidiary acquired for the financial year ended 31 December 2005 and the cash flow effect of the acquisition are as follows:

	Rmb'000
Net assets acquired:	
Property, plant and equipment	503
Inventories	1,835
Accounts receivable	3,916
Prepayments, deposits and other receivables	60
Cash and cash equivalents	223
Accounts payable	(391)
Accrued liabilities and other payables	(734)
Dividend payable	(481)
Due to a related party (non-trade)	(361)
	4,570
Share of net assets acquired	1,143
Negative goodwill arising on acquisition	(69)
Total consideration	1,074
Consideration paid in shares	(1,074)
Consideration paid in cash	–
Cash and cash equivalents of subsidiary	223
Net cash inflow on acquisition of subsidiary	223

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2006

Notes to consolidated cash flow statement (cont'd)

Note B: Cash and cash equivalents

	Group 2006 Rmb'000	Group 2005 Rmb'000
Cash and bank balances	79,100	72,628
Less: Pledged bank balances *	(15,856)	(9,897)
Cash and cash equivalents	63,244	62,731

* Bank balances pledged to the banks are in respect of the bankers' guarantees provided to customers for the performance of contracts and to secure certain bills payable to banks and commercial companies issued (Note 18).

Certain bank balances earn interest at floating rates based on daily bank deposit average effective interest rate of 0.72% (2005: 0.72%) per annum.

Cash and cash equivalents denominated in foreign currencies as at 31 December are as follows:

	Group		Company	
	2006 Rmb'000	2005 Rmb'000	2006 Rmb'000	2005 Rmb'000
US dollar	49	1,650	–	–
Hong Kong dollar	1	1	–	–
Singapore dollar	59	46,603	58	32,064

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2006

(Amounts expressed in Renminbi unless otherwise stated)

1. Corporate information

Sinopipe Holdings Limited (the "Company") was incorporated in the Republic of Singapore on 7 September 2004 under the Singapore Companies Act, Cap. 50 as a private company limited by shares under the name of "Sinopipe Holdings Pte. Ltd.". On 9 September 2005, the Company converted to a public limited company and changed its name to "Sinopipe Holdings Limited". The Company is listed on the Mainboard of the Singapore Exchange Securities Trading Limited.

The principal place of business of the Group is at Jingyang Industrial Area of Fuqing City, Fujian Province 350304, the People's Republic of China (the "PRC") and the registered office of the Company is located at 1 Robinson Road, #18-00, AIA Tower, Singapore 048542.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are as shown in Note 11 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on a historical cost basis.

The Group's principal operations are conducted in the PRC and thus the financial statements are presented in Renminbi ("Rmb") and all values are rounded to the nearest thousand (Rmb'000) except when otherwise indicated.

2.2 Changes in accounting policies

The accounting policies have been consistently applied by the Group and the Company and are consistent with those used in the previous financial year, except for the changes in accounting policies discussed below.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2006

2. Summary of significant accounting policies (cont'd)

2.2 Changes in accounting policies (cont'd)

(a) *Adoption of revised FRS*

In 2006, the Group and the Company adopted the following revised FRS which is relevant to its operations:

Amendments to FRS 39 - Financial Instruments : Recognition and Measurement - Financial Guarantee Contracts

The Amendments to FRS 39, which took effect from financial years beginning on or after 1 January 2006, require the Group to measure the financial guarantees given by a subsidiary to banks for loans and borrowings of another subsidiary at fair value upon inception of the guarantees. These guarantees are subsequently measured at the higher of their initial fair values less cumulative amortisation and the amount that would be recognised if they were accounted for as contingent liabilities. Previously, these financial guarantees were accounted for as contingent liabilities whereby a loss was recognised only if it was probable that it would be incurred.

The adoption of the Amendments to FRS 39 is assessed to have no material impact on the results and the accumulated profits of the Group and Company for the year ended 31 December 2006.

(b) *FRS and Interpretation of Financial Reporting Standard ("INT FRS") not yet effective*

The Group and the Company have not applied the following FRS and INT FRS that have been issued but not yet effective:

			Effective date (annual periods beginning on or after)
FRS 1	:	Amendment to FRS 1 (revised), Presentation of Financial Statements (Capital Disclosures)	1 January 2007
FRS 40	:	Investment Property	1 January 2007
FRS 107	:	Financial Instruments: Disclosures	1 January 2007
FRS 108	:	Operating Segments	1 January 2009
INT FRS 107	:	Applying the Restatement Approach under FRS 29, Financial Reporting in Hyperinflationary Economies	1 March 2006
INT FRS 108	:	Scope of FRS 102, Share-based Payment	1 May 2006
INT FRS 109	:	Reassessment of Embedded Derivatives	1 June 2006
INT FRS 110	:	Interim Financial Reporting and Impairment	1 November 2006
INT FRS 111	:	Group and Treasury Share Transactions	1 March 2007
INT FRS 112	:	Service Concession Arrangements	1 January 2008

NOTES TO THE FINANCIAL STATEMENTS
31 December 2006

2. Summary of significant accounting policies (cont'd)

2.2 Changes in accounting policies (cont'd)

(b) *FRS and Interpretation of Financial Reporting Standard ("INT FRS") not yet effective (cont'd)*

The directors expect that the adoption of the above pronouncements will have no material impact to the financial statements in the period of initial application, except for FRS 107 and the Amendment to FRS 1 (revised) as indicated below.

<u>FRS 107, Financial Instruments: Disclosures and Amendment to FRS 1 (revised), Presentation of Financial Statements (Capital Disclosures)</u>

FRS 107 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. The Amendment to FRS 1 (revised) requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. The Group will apply FRS 107 and the Amendment to FRS 1 (revised) from annual periods beginning 1 January 2007.

2.3 Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, 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) *Depreciation of buildings, plant and machinery, office and electronic equipment and motor vehicles*

Buildings, plant and machinery, office and electronic equipment and motor vehicles are depreciated on a straight-line basis over their respective estimated useful lives, after taking into account estimated residual value. Management estimates the useful lives of these assets to be within 5 to 20 years. The carrying amount of these assets at Group level at 31 December 2006 was approximately Rmb 162,098,000 (2005: Rmb 156,346,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2006

2. Summary of significant accounting policies (cont'd)

2.3 Significant accounting estimates and judgements (cont'd)

(a) *Key sources of estimation uncertainty (cont'd)*

(ii) *Income taxes*

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. 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. Where 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. The carrying amount of the Group's tax payables at 31 December 2006 was approximately Rmb 4,000,000 (2005: Rmb 7,244,000).

(b) *Critical judgements made in applying accounting policies*

The following is the judgement made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements:

<u>Impairment of investments and financial assets</u>

The Group and the Company follow the guidance of FRS 36 - Impairment of Assets and FRS 39 - Financial Instruments : Recognition and Measurement in determining when an investment or financial asset is other-than-temporarily impaired and this requires significant judgement. The Group and the Company evaluate, among other factors, the duration and extent to which the fair value of an investment or financial asset is less than its cost; and the financial health of and near-term business outlook for the investment or financial asset, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

2.4 Functional and foreign currency

(a) *Functional currency*

The management has determined the currency of the primary economic environment in which the Group entities operate i.e. functional currency, to be Rmb. Sales prices and major costs of providing goods and services including major operating expenses are primarily influenced by fluctuations in Rmb.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2006

2. Summary of significant accounting policies (cont'd)

2.4 Functional and foreign currency (cont'd)

(b) *Foreign currency transactions*

Transactions in foreign currencies are measured in Rmb and are recorded on initial recognition in Rmb at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the profit and loss account.

2.5 Subsidiaries and principles of consolidation

(a) *Subsidiaries*

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. The Group generally has such power when it directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less any impairment losses.

(b) *Principles of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the holding company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

The consolidated financial statements are prepared by adopting merger accounting for acquisitions of certain subsidiaries which were undertaken by the Company pursuant to the restructuring exercise in connection with the initial public offering of shares as described in the Prospectus of the Company dated 30 November 2005. Such manner of presentation reflects the economic substance of the combining entities as a single economic enterprise.

2. Summary of significant accounting policies (cont'd)

2.5 Subsidiaries and principles of consolidation (cont'd)

(b) *Principles of consolidation (cont'd)*

Any difference between the amount recorded as share capital issued and the amount recorded for the share capital acquired is adjusted against equity as restructuring reserve.

Apart from the above, the results of other subsidiaries acquired or disposed of are consolidated from or to their effective dates of acquisition or disposal, respectively. These other subsidiaries are accounted for using the purchase method.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised in the profit and loss account on the date of acquisition.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. They are presented in the consolidated balance sheet within equity, separately from the parent shareholders' equity, and are separately disclosed in the consolidated profit and loss account.

In accounting for the acquisition of minority interests, the cost of 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.

Any excess of the minority interest's share of the assets and liabilities reflected in the consolidated balance sheet at the date of the acquisition of the minority interest is recognised in the profit and loss account on the date of acquisition.

2.6 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. This generally coincides with the Group having 20% or more of the voting power, or has representation on the board of directors.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associate is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the profit or loss of the associate is recognised in the consolidated profit and loss account. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2006

2. Summary of significant accounting policies (cont'd)

2.6 Associates (cont'd)

Goodwill relating to an associate is included in the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not co-terminous with those of the Group, the share of results is arrived at from the last audited financial statements available and un-audited management financial statements to the end of the accounting period. Consistent accounting policies are applied for like transactions and events in similar circumstances.

In the Company's separate financial statements, investments in associates are accounted for at cost less impairment losses.

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of an asset begins when it is available for use and is computed on a straight-line basis over the estimated useful life of the asset or the lease term, after taking into account the estimated residual value (except for land use rights with no residual value). The estimated useful life are as follows:

	Estimated useful life	Annual rate
• Land use rights	50 years	2.00%
• Buildings	20 years	4.50%
• Plant and machinery	10 years	9.00%
• Office and electronic equipment	5 years	18.00%
• Motor vehicles	5 years	18.00%

2. Summary of significant accounting policies (cont'd)

2.7 Property, plant and equipment (cont'd)

Construction-in-progress are not depreciated as these assets are not available for use.

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

The residual value, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the profit and loss account in the year the asset is derecognised.

2.8 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the profit and loss account as 'other operating expenses'.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses recognised for an asset may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Reversal of an impairment loss is recognised in the profit and loss account. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2006

2. Summary of significant accounting policies (cont'd)

2.9 Financial assets

Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

(a) *Loans and receivables*

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are carried at amortised cost using the effective interest method less impairment losses. Gains and losses are recognised in the profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

The Group classifies the following financial assets as loans and receivables:

- cash and bank balances
- trade and other receivables, including bills receivable and amounts due from subsidiaries and associates.

(b) *Available-for-sale financial assets*

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories. After initial recognition, available-for sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investments are derecognised or until the investments are determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the profit and loss account.

The fair value of investments that are actively traded in organised financial markets is determined by reference to the relevant exchange's quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques.

Investment in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2006

2. Summary of significant accounting policies (cont'd)

2.10 Cash and cash equivalents

Cash and cash equivalents comprise unpledged bank deposits and cash and bank balances.

2.11 Trade and other receivables

Allowance for doubtful receivables is made when collection of the full amount is no longer probable. Bad debts are written off when identified. The accounting policy for this category of financial assets is stated in Note 2.9.

2.12 Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

(a) *Assets carried at amortised cost*

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The amount of the loss is recognised in the profit and loss account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the profit and loss account, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(b) *Assets carried at cost*

If there is objective evidence that an impairment loss on a financial asset carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2006

2. Summary of significant accounting policies (cont'd)

2.12 Impairment of financial assets (cont'd)

(c) *Available-for-sale financial assets*

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the profit and loss account, is transferred from equity to the profit and loss account. Reversals of impairment loss in respect of equity instruments are not recognised in the profit and loss account. Reversals of impairment losses on debt instruments are reversed through the profit and loss account, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss account.

2.13 Derecognition of financial assets

A financial asset is derecognised where the contractual rights to receive cash flows from the asset have expired.

On derecognition of a financial asset, the difference between the carrying amount and the sum of (a) the consideration received and (b) any cumulative gain or loss that has been recognised directly in equity is recognised in the profit and loss account.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes cost of raw materials as determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct 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 estimated costs of completion and the estimated costs necessary to make the sale.

2.15 Financial liabilities

Financial liabilities include trade payables, which are normally settled on 30-60 day terms, bills payable, other payables, payables to associates and loans and borrowings. Financial liabilities are recognised on the balance sheet when, and only when the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are initially recognised at fair value of the consideration received less directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process. The liabilities are derecognised when the obligation under the liability is discharged or cancelled or expired.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2006

2. Summary of significant accounting policies (cont'd)

2.16 Borrowing costs

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

2.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) where, 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.

2.18 Employee benefits

(a) *Defined contribution plans*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations.

Singapore

The Company makes contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme.

PRC

The subsidiaries incorporated and operating in the PRC are required to provide certain staff pension benefits to their employees under existing PRC regulations. Pension contributions are provided at rates stipulated by PRC regulations and are contributed to a pension fund managed by government agencies, which are responsible for administering these amounts for the subsidiaries' employees.

Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

(b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The estimated liability for leave is recognised for services rendered by employees up to balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2006

2. Summary of significant accounting policies (cont'd)

2.19 Leases

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the profit and loss account. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2.20 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised:

(a) *Sale of goods*

Revenue is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, which generally coincides with delivery and acceptance of the goods sold. Revenue is not recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of the goods.

(b) *Interest income*

Interest income is recognised as interest accrues (using the effective interest method) unless collectibility is in doubt.

(c) *Dividend income*

Dividend income is recognised when the Group's or the Company's right to receive payment is established.

2. Summary of significant accounting policies (cont'd)

2.20 Revenue (cont'd)

(d) *Royalty income*

Royalty income is recognised in equal instalments over the term of the licence agreement on an accrual basis.

2.21 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised in the profit and loss account over the period necessary to match them on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to the profit and loss account over the expected useful life of the relevant asset by equal annual instalments.

2.22 Research and development expenses

Research and development expenses are expensed as incurred.

2.23 Income taxes

(a) *Current tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2006

2. Summary of significant accounting policies (cont'd)

2.23 Income taxes (cont'd)

(b) *Deferred tax*

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and

- In respect of temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences (other than those mentioned above), carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognised directly in equity is recognised in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

2. Summary of significant accounting policies (cont'd)

2.23 Income taxes (cont'd)

(c) *Value-added tax*

Revenues, expenses and assets are recognised net of the amount of value-added tax except:

- Where the value-added tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the value-added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of value-added tax included.

The net amount of value-added tax recoverable from, or payable to, the tax authority is included as part of receivables or payables in the balance sheet.

3. Revenue

Revenue represents the invoiced value of goods sold, net of sales discounts and sales returns.

4. Other operating income

	Group	
	2006	**2005**
	Rmb'000	Rmb'000
Amortisation of deferred income relating to term loan from an external party	234	175
Bad trade receivables recovered	270	25
Compensation income	297	121
Gain on disposal of property, plant and equipment	–	10
Gain on sale of scrap	154	134
Government grants and subsidies (Note a)	5,490	4,152
Negative goodwill arising from acquisition of minority interests in subsidiaries	13	1,781
Royalty income	100	100
Others	189	7
	6,747	6,505

NOTES TO THE FINANCIAL STATEMENTS
31 December 2006

4. Other operating income (cont'd)

Note:

(a) Government grants and subsidies received by the Group relate mainly to 产品研发补助基金, 基础设施配套补贴 and 扶持中西部中小企业补助基金 and are given by the PRC government to encourage companies to conduct research and development to launch new products and expand their businesses etc.

5. Other operating expenses

	Group	
	2006	**2005**
	Rmb'000	Rmb'000
Consultancy fees	–	618
Donations	108	65
Loss on disposal of property, plant and equipment	28	51
Allowance for doubtful trade receivables	2,337	771
Write-back of allowance for doubtful trade receivables	(464)	(312)
Provision for inventory obsolescence	101	1,741
Write-back of provision for inventory obsolescence	(675)	–
Research and development expenses	3,114	3,550
Scrap expenses	–	43
Others	32	27
	4,581	6,554

NOTES TO THE FINANCIAL STATEMENTS
31 December 2006

6. Profit from operations

This is determined after charging or crediting items in Notes 4 and 5 and the following:

	Group	
	2006	**2005**
	Rmb'000	Rmb'000
Depreciation of property, plant and equipment	21,215	17,961
Non-audit fees paid to auditors of the Company	168	–
Operating lease expenses	2,088	2,330
Staff costs*:		
Wages and salaries and other costs	28,380	24,006
Pension costs	1,434	922

* This includes amounts shown as remuneration of key management personnel in Note 29.

In addition to fees charged for non-audit services as disclosed above, there were professional fees of approximately Rmb 74,000 and Rmb 2,506,000 respectively charged to the Group by auditors of the Company and other auditors during the financial year ended 31 December 2005 for services rendered in relation to the Company's initial public offering. These fees were part of the expenses offset against the share premium account.

7. Financial (expense) income

	Group	
	2006	**2005**
	Rmb'000	Rmb'000
Interest expense		
- interest-bearing loans and borrowings	(10,094)	(11,383)
- term loan from an external party	(234)	(175)
- finance leases	(13)	(13)
	(10,341)	(11,571)
Interest income from bank deposits	244	189

NOTES TO THE FINANCIAL STATEMENTS
31 December 2006

8. Tax expense

(a) *Major components of income tax expense*

Income tax expense for the years ended 31 December 2006 and 2005 are:

	Group	
	2006	**2005**
	Rmb'000	Rmb'000
Current income tax	16,467	14,362

No deferred tax has been provided as the Group did not have any significant temporary differences which gave rise to a deferred tax asset or liability at 31 December 2006 and 2005.

(b) *Relationship between tax expense and accounting profit*

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rates for the years ended 31 December 2006 and 2005 is as follows:

	Group	
	2006	**2005**
	Rmb'000	Rmb'000
Accounting profit before income tax	78,067	67,749
Tax at domestic tax rates applicable to profits in the countries where the Group operates *	20,977	17,942
Adjustments:		
- Tax relief granted to subsidiaries	(2,082)	(1,709)
- Income not taxable	(3,083)	(2,431)
- Expenses not deductible for tax purposes	655	560
Tax expense	16,467	14,362

* The reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

8. Tax expense (cont'd)

Company

The Company is incorporated in Singapore and subjected to income tax at a statutory tax rate of 20% (2005: 20%).

BVI subsidiaries

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

PRC subsidiaries

Fujian Aton Advanced Materials Science and Technology Co., Ltd. ("Fujian Atontech") is incorporated in Fuqing City, Fujian Province which is within the Coastal Economic Zone and subjected to income tax at a rate of 24% (2005: 24%).

Chengde Aton Plastics Co., Ltd. is subjected to income tax at a rate of 30% (2005: 30%).

Pursuant to the Western and Central Development Policies (西部和中部大开发政策措施), Aton Plastics (Chongqing) Co., Ltd. ("Aton Chongqing") and Yatong Plastic & Rubbers (Kaifeng) Co., Ltd. are subjected to income tax at a concessionary rate of 15% for the years 2005 and 2006.

Other than the above, Aton Chongqing, Inner Mongolia Aton Plastics Co., Ltd. ("Aton Inner Mongolia") and Yatong Plastic (Hubei) Co., Ltd. ("Aton Hubei") are enjoying tax concessions in the PRC. Pursuant to the PRC Income Tax Law for Enterprises with Foreign Investment and Foreign Enterprises, these subsidiaries are exempted from income tax for the first two profitable years and a 50% reduction in income tax payable for the next three years as follows:

Subsidiary	Tax rate	Years of exemption	Years of 50% tax relief
Aton Chongqing #	24%	FY2002 and FY2003	FY2004
	15%		FY2005 and FY2006
Aton Inner Mongolia	15%	FY2002 and FY2003	FY2004, FY2005 and FY2006
Aton Hubei	30%	FY2002 and FY2003	FY2004, FY2005 and FY2006

The change in tax rate for Aton Chongqing from 24% to 15% is pursuant to the Western and Central Development Policies as mentioned above.

In addition, Chengdu Youcheng Piping Co., Ltd. ("Chengdu Youcheng"), a subsidiary established on 11 January 2005 is an enterprise with investment from Fujian Atontech, a foreign investment enterprise, and more than 25% of its registered capital is ultimately held by foreign investors. Jiamusi Auton Advanced Materials Technology Co., Ltd. ("Jiamusi Auton"), a subsidiary established on 22 March 2005 is a foreign investment enterprise. Accordingly to the PRC Income Tax Law and subject to the approval of the respective local tax authorities, Chengdu Youcheng and Jiamusi Auton shall be exempted from income tax for the first two profitable years and a 50% reduction in income tax payable for the next three years.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2006

9. Earnings per share

Basic earnings per share of the Group for the financial year ended 31 December 2006 is calculated by dividing the Group's net profit attributable to shareholders of approximately Rmb 57,660,000 (2005: Rmb 50,492,000) by the weighted average number of ordinary shares outstanding during the year of 187,594,900 (2005: 141,011,507).

The basic and diluted earnings per share of the Group are the same as there were no potential dilutive ordinary shares outstanding as at 31 December 2006 and 2005.

10. Property, plant and equipment

Group	Land use rights Rmb'000	Buildings Rmb'000	Plant and machinery Rmb'000	Office and electronic equipment Rmb'000	Motor vehicles Rmb'000	Construction-in-progress Rmb'000	Total Rmb'000
Cost							
At 1 January 2005	23,813	33,795	127,599	7,707	5,321	41,863	240,098
Additions	1,300	3,109	15,242	1,406	1,087	21,922	44,066
Arising from acquisition of subsidiaries	–	6	380	117	–	–	503
Disposals	–	–	(3,150)	(92)	(345)	–	(3,587)
Transferred from construction-in-progress	–	7,958	30,089	335	–	(38,382)	–
At 31 December 2005 and 1 January 2006	25,113	44,868	170,160	9,473	6,063	25,403	281,080
Additions	4,219	447	12,906	620	638	27,883	46,713
Disposals	–	–	(20)	(27)	(78)	–	(125)
Transferred from construction-in-progress	–	6,896	4,858	–	–	(11,754)	–
At 31 December 2006	29,332	52,211	187,904	10,066	6,623	41,532	327,668

NOTES TO THE FINANCIAL STATEMENTS
31 December 2006

10. Property, plant and equipment (cont'd)

Group	**Land use rights** Rmb'000	**Buildings** Rmb'000	**Plant and machinery** Rmb'000	**Office and electronic equipment** Rmb'000	**Motor vehicles** Rmb'000	**Construction-in-progress** Rmb'000	**Total** Rmb'000
Accumulated depreciation							
At 1 January 2005	1,634	4,837	48,331	2,174	1,811	–	58,787
Depreciation charge for the year	555	1,625	13,930	888	963	–	17,961
Disposals	–	–	(18)	(29)	(294)	–	(341)
At 31 December 2005 and 1 January 2006	2,189	6,462	62,243	3,033	2,480	–	76,407
Depreciation charge for the year	658	2,166	16,448	997	946	–	21,215
Disposals	–	–	(9)	(17)	(43)	–	(69)
At 31 December 2006	2,847	8,628	78,682	4,013	3,383	–	97,553
Net carrying amount							
At 31 December 2005	22,924	38,406	107,917	6,440	3,583	25,403	204,673
At 31 December 2006	26,485	43,583	109,222	6,053	3,240	41,532	230,115

NOTES TO THE FINANCIAL STATEMENTS
31 December 2006

10. Property, plant and equipment (cont'd)

Company	**Office and electronic equipment** Rmb'000
Cost	
At 1 January 2005	17
Additions	3
At 31 December 2005, 1 January 2006 and 31 December 2006	20
Accumulated depreciation	
At 1 January 2005	– *
Depreciation charge for the year	3
At 31 December 2005 and 1 January 2006	4
Depreciation charge for the year	4
At 31 December 2006	8
Net carrying amount	
At 31 December 2005	16
At 31 December 2006	12

* Less than Rmb 1,000

Asset held under finance lease

As at 31 December 2006, the Group had a motor vehicle held under finance lease with a net carrying amount of approximately Rmb 739,000 (2005: Rmb 995,000).

Assets pledged as securities

In addition to the motor vehicle held under finance lease, the Group's plant and machinery, land use rights and buildings with an aggregate net carrying amount of approximately Rmb 16,122,000 (2005: Rmb 69,807,000), Rmb 16,790,000 (2005: Rmb 17,116,000) and Rmb 30,492,000 (2005: Rmb 27,939,000) respectively were pledged as securities for certain bank loans (Note 21).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2006

11. Investment in subsidiaries

	Company 2006 Rmb'000	Company 2005 Rmb'000
Unquoted equity shares, at cost	135,854	135,854

Name of subsidiary	Principal activities	Country of incorporation	Percentage of effective equity interest held by the Group 2006 %	2005 %	Cost of investment by the Company 2006 Rmb'000	2005 Rmb'000
Held by the Company						
Best Connect Resources Limited (1)	Investment holding	British Virgin Islands	100.00	100.00	75,847	75,847
One Sea Development Ltd. (1)	Investment holding	British Virgin Islands	100.00	100.00	51,314	51,314
Eagle Super Associates Limited (1)	Investment holding	British Virgin Islands	100.00	100.00	8,693	8,693
					135,854	135,854
Held by/through subsidiaries						
Fujian Aton Advanced Materials Science and Technology Co., Ltd. (2)	Production and sale of mainly PVC and PE pipes and fittings	People's Republic of China	98.20	98.20	–	–
Chengde Aton Plastics Co., Ltd. (3)	Production and sale of mainly PVC pipes and fittings	People's Republic of China	54.46	54.46	–	–
Aton Plastics (Chongqing) Co., Ltd. (2)	Production and sale of mainly PVC and PE pipes and fittings	People's Republic of China	78.56	78.56	–	–
Yatong Plastic (Hubei) Co., Ltd. (2)	Production and sale of mainly PVC pipes and fittings	People's Republic of China	98.74	98.74	–	–
Inner Mongolia Aton Plastics Co., Ltd. (2)	Production and sale of mainly PVC pipes and fittings and water-saving equipment	People's Republic of China	57.01	57.01	–	–

NOTES TO THE FINANCIAL STATEMENTS
31 December 2006

11. Investment in subsidiaries (cont'd)

Name of subsidiary	Principal activities	Country of incorporation	Percentage of effective equity interest held by the Group		Cost of investment by the Company	
			2006	2005	2006	2005
			%	%	Rmb'000	Rmb'000
Held by/through subsidiaries						
Yatong Plastic & Rubbers (Kaifeng) Co., Ltd. (2)	Production and sale of mainly PVC pipes and fittings	People's Republic of China	98.65	98.65	–	–
Chengdu Youcheng Piping Co., Ltd. (2)	Production and sale of mainly PVC and PE pipes and fittings	People's Republic of China	98.20	89.36	–	–
Jiamusi Auton Advanced Materials Technology Co., Ltd. (2)	Production and sale of mainly PVC and PE pipes and fittings	People's Republic of China	73.65	73.65	–	–

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

(2) Audited by Ernst & Young, Hong Kong

(3) Audited by Chengde Yanshan Certified Public Accountants Co., Ltd., People's Republic of China

12. Investment in associates

	Group	
	2006	2005
	Rmb'000	Rmb'000
Unquoted equity shares, at cost	3,414	3,830
Addition	–	914
Transfer to investment in subsidiaries	–	(1,330)
	3,414	3,414
Share of post acquisition reserves	(179)	(140)
Amounts due from associates	–	12,135
Carrying amount of investments	3,235	15,409

12. Investment in associates (cont'd)

Name of associate	Principal activities	Country of incorporation	Percentage of effective equity interest held by the Group 2006 %	2005 %	Cost of investment by the Group 2006 Rmb'000	2005 Rmb'000
Held by a subsidiary						
Gansu Tenglong Water-saving Co., Ltd. (1)	Production and sale of water-saving irrigation products	People's Republic of China	24.55	24.55	2,500	2,500
Liaoning Baotong Advanced Materials Technology Co., Ltd. (2)	Production and sale of mainly PVC and PE pipes and fittings	People's Republic of China	39.28	39.28	914	914
					3,414	3,414

(1) Audited by Gansu Qisheng Certified Public Accountants Co., Ltd., People's Republic of China

(2) Audited by Liaoning Huachen Certified Public Accountants Co., Ltd., People's Republic of China

The summarised aggregate financial information of the associates is as follows:

	2006 Rmb'000	2005 Rmb'000
Assets and liabilities		
Current assets	9,531	13,648
Non-current assets	6,838	11,263
Total assets	16,369	24,911
Current liabilities, representing total liabilities	3,986	12,593
Results		
Revenue	10,911	12,536
Profit (loss) for the year	49	(110)

NOTES TO THE FINANCIAL STATEMENTS
31 December 2006

13. Inventories

	Group 2006 Rmb'000	Group 2005 Rmb'000
Raw materials, at cost	18,055	13,618
Low value consumables, at cost	8,558	3,532
Work in progress, at cost	8,447	7,252
Finished goods, at cost	49,414	44,148
Finished goods, at net realisable value	790	1,199
Total inventories at lower of cost and net realisable value	85,264	69,749
Raw materials at net realisable value of Rmb Nil (2005: Rmb Nil) after deducting provision for inventory obsolescence	2	150
Finished goods at net realisable value of approximately Rmb 790,000 (2005: Rmb 1,199,000) after deducting provision for inventory obsolescence	1,842	2,268
	1,844	2,418

Movements in provision for inventory obsolescence during the year are as follows:

	2006 Rmb'000	2005 Rmb'000
At beginning of year	2,418	677
Provision for the year	101	1,741
Write-back of provision	(675)	–
At end of year	1,844	2,418

During the financial year ended 31 December 2006, the Group wrote back approximately Rmb 675,000 of inventory provision as the inventories previously provided for were sold at above their carrying amounts.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2006

14. Accounts receivable

	Group 2006 Rmb'000	Group 2005 Rmb'000
Accounts receivable	140,776	108,430
Allowance for doubtful trade receivables	(6,175)	(4,501)
	134,601	103,929

Movements in allowance for doubtful trade receivables during the year are as follows:

	2006 Rmb'000	2005 Rmb'000
At beginning of year	4,501	4,177
Allowance for the year	2,337	771
Write-back of allowance	(464)	(312)
Write-off against allowance	(199)	(135)
At end of year	6,175	4,501

Accounts receivable are non-interest bearing and on 90 to 180 days' terms. They are recognised at their original invoice amounts which represents their fair values on initial recognition.

Included in accounts receivable of the Group is an amount of approximately Rmb 531,000 (2005: Rmb Nil) denominated in US dollars.

15. Bills receivable from banks and commercial companies

The bills receivable from banks and commercial companies have maturity of between four to six (2005: two to six) months, and are interest-free.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2006

16. Prepayments, deposits and other receivables

	Group		Company	
	2006	**2005**	**2006**	**2005**
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Prepayments	19,654	15,009	–	–
Deposits	12,268	17,616	–	–
Advances to employees (Note a)	1,401	2,190	–	–
Other receivables	4,308	5,034	–	44
Value-added tax receivables	6,368	4,274	–	–
	43,999	44,123	–	44

Note:

(a) These balances are unsecured, interest-free and are repayable within the next twelve months from the balance sheet date.

Included in prepayments, deposits and other receivables of the Group and Company is an amount of approximately Rmb Nil (2005: Rmb 44,000) denominated in Singapore dollars.

17. Amounts due from subsidiaries (non-trade) and amounts due to associates (non-trade)

These balances are unsecured, interest-free and are repayable/payable within the next 12 months from the balance sheet date. Included in amounts due from subsidiaries (non-trade) is dividend receivable amounting to approximately Rmb 15,550,000 (2005: Rmb 12,521,000).

18. Bills payable to banks and commercial companies

The bills payable to banks and commercial companies are secured by certain bank deposits of the Group amounting to approximately Rmb 15,132,000 (2005: Rmb 9,897,000), have maturity of between one to six (2005: one to six) months, and are interest-free.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2006

19. Accrued liabilities and other payables

	Group		Company	
	2006	**2005**	**2006**	**2005**
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Advances from customers	18,098	12,477	–	–
Accrued liabilities	5,226	3,827	485	570
Land use rights payable	2,601	2,800	–	–
Salary and welfare payable	3,372	3,779	–	–
Other payables (Note a)	11,026	9,262	–	–
Other taxes payable (Note b)	8,661	8,537	–	–
Deferred income	760	994	–	–
	49,744	41,676	485	570

Notes:

(a) This relates mainly to guarantee deposits received from customers and distributors and amounts payable for purchase of plant and machinery.

(b) This relates mainly to value-added tax and other operating taxes payable.

Included in accrued liabilities and other payables of the Group are amounts of approximately Rmb Nil, Rmb 485,000 and Rmb 204,000 (2005: Rmb 1,230,000, Rmb 570,000 and Rmb Nil) denominated in Hong Kong dollars, Singapore dollars and Euro respectively. The accrued liabilities of the Company of approximately Rmb 485,000 (2005: Rmb 570,000) are denominated in Singapore dollars.

20. Term loan from an external party

The term loan from an external party is granted by Fuqing Municipal Financial Bureau and is secured by the land use rights of a related party, Fuqing Aton Innovation Building Materials Co., Ltd. Under the terms of the loan agreement, the loan is interest-free and is repayable over a period of 11 years commencing on 30 July 2006 in 10 equal instalments of Rmb 350,000 each and a final instalment of Rmb 360,000. During the financial year ended 31 December 2006, other than the scheduled payment of Rmb 350,000, an additional payment of Rmb 150,000 was made as requested by the Fuqing Municipal Financial Bureau.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2006

21. Interest-bearing loans and borrowings

	Group	
	2006	**2005**
	Rmb'000	Rmb'000
Rmb bank loans – current		
Secured	57,860	83,570
Unsecured	77,700	54,240
	135,560	137,810
Rmb bank loans – non-current		
Secured	–	4,000
Unsecured	10,000	–
	10,000	4,000

Except for an amount of Rmb 5,000,000 (2005: Rmb 15,000,000) which is unsecured and non-guaranteed, the bank loans and borrowings are secured or guaranteed as follows:

(a) Bank loans of Rmb 57,860,000 (2005: Rmb 87,570,000) are secured by plant and machinery, land use rights and buildings with an aggregate net carrying amount of approximately Rmb 16,122,000 (2005: Rmb 69,807,000), Rmb 16,790,000 (2005: Rmb 17,116,000) and Rmb 30,492,000 (2005: Rmb 27,939,000) respectively;

(b) Bank loans of Rmb 61,300,000 (2005: Rmb 21,340,000) are guaranteed by independent third parties;

(c) Bank loans of Rmb Nil (2005: Rmb 7,500,000) are guaranteed by a related party, Fujian Yatai Building Materials Co., Ltd;

(d) Bank loans of Rmb Nil (2005: Rmb 3,000,000) are guaranteed by Kusnadi Lybianto, Non-Executive Chairman; and

(e) Bank loans of Rmb 21,400,000 (2005: Rmb 7,400,000) are guaranteed by a subsidiary, Fujian Aton Advanced Materials Science and Technology Co., Ltd.

The above bank loans and borrowings bear effective interest rates ranging from 5.85% to 9.79% (2005: 5.49% to 8.93%) per annum and have remaining maturity terms and maturity dates of between one to 21 (2005: one to 21) months and January 2007 to September 2008 (2005: January 2006 to September 2007) respectively.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2006

22. Finance leases

The Group has a finance lease for a motor vehicle. There are no restrictions placed upon the Group by entering into the lease. The lease period is 36 months. The average discount rate implicit in the lease is about 6.04% (2005: 6.04%) per annum. The outstanding amount of finance lease obligations is secured by way of a legal mortgage on the underlying lease asset (Note 10).

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group			
	2006 Minimum lease payments Rmb'000	**2006 Present value of payments** Rmb'000	**2005 Minimum lease payments** Rmb'000	**2005 Present value of payments** Rmb'000
Within one year	86	85	269	256
After one year but not later than five years	–	–	86	85
Total minimum lease payments	86	85	355	341
Less: Amounts representing finance charges	(1)	–	(14)	–
Present value of minimum lease payments	85	85	341	341

NOTES TO THE FINANCIAL STATEMENTS
31 December 2006

23. Share capital

	Group			
	2006		2005	
	Number of shares '000	S$'000	Number of shares '000	S$'000
Ordinary shares issued and fully paid up				
At beginning of year	187,595	37,519 *	26,300	26,300 ^
Sub-division of each ordinary share of S$1 each into five ordinary shares of S$0.20 each	–	–	131,500	26,300
Issue of shares pursuant to restructuring exercise	–	–	8,095	1,619
Issue of shares pursuant to initial public offering of the Company	–	–	48,000	9,600
Transfer of share premium to share capital	–	434	–	–
At end of year	187,595	37,953 #	187,595	37,519 *

^ Equivalent to approximately Rmb 127,976,000.
* Equivalent to approximately Rmb 182,068,000.
\# Equivalent to approximately Rmb 184,156,000.

	Company			
	2006		2005	
	Number of shares '000	S$'000	Number of shares '000	S$'000
Ordinary shares issued and fully paid up				
At beginning of year	187,595	37,519 *	– @	– ^
Issue of shares pursuant to restructuring exercise	–	–	27,919	27,919
	187,595	37,519	27,919	27,919
Sub-division of each ordinary share of S$1 each into five ordinary shares of S$0.20 each	–	–	139,595	27,919
Issue of shares pursuant to initial public offering of the Company	–	–	48,000	9,600
Transfer of share premium to share capital	–	434	–	–
At end of year	187,595	37,953 #	187,595	37,519 *

NOTES TO THE FINANCIAL STATEMENTS
31 December 2006

23. Share capital (cont'd)

^ Less than Rmb 1,000
@ Less than 1,000 shares
* Equivalent to approximately Rmb 182,068,000
# Equivalent to approximately Rmb 184,156,000

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

In accordance with the Companies (Amendment) Act 2005, on 30 January 2006, the shares of the Company ceased to have a par value and the amount standing in the share premium account became part of the Company's share capital.

24. Share premium

	Group and Company	
	2006	**2005**
	Rmb'000	Rmb'000
At beginning of year	2,088	–
Arising from issue of shares pursuant to initial public offering of the Company	–	13,864
Share issue expenses	–	(11,776)
Transfer of share premium to share capital	(2,088)	–
At end of year	–	2,088

In accordance with the Companies (Amendment) Act 2005, on 30 January 2006, the shares of the Company ceased to have a par value and the amount standing in the share premium account became part of the Company's share capital.

25. Restructuring reserve

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2006

26. Reserves

	Group 2006 Rmb'000	Group 2005 Rmb'000 (Note 33)
Capital reserve		
At beginning and end of year	356	356
Statutory surplus reserve		
At beginning of year	13,792	10,094
Appropriation from accumulated profits	4,345	3,698
At end of year	18,137	13,792
Statutory public welfare fund		
At beginning of year	8,733	7,257
Appropriation from accumulated profits	2,173	1,476
At end of year	10,906	8,733
Discretionary surplus reserve		
At beginning and end of year	3,311	3,311
Reserve fund		
At beginning of year	2,346	1,146
Arising from acquisition of subsidiary	–	26
Appropriation from accumulated profits	1,808	1,174
At end of year	4,154	2,346
Enterprise expansion reserve		
At beginning of year	2,230	1,245
Arising from acquisition of subsidiary	–	25
Appropriation from accumulated profits	–	960
At end of the year	2,230	2,230
Total reserves	39,094	30,768

26. Reserves (cont'd)

Capital reserve

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

Statutory surplus reserve

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

Statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital. This statutory surplus reserve is not distributable in the form of cash dividend.

Statutory public welfare fund

Pursuant to the Articles of Association of the PRC subsidiaries, these subsidiaries are required to transfer 5% of net profits, as determined in accordance with the PRC accounting rules and regulations, to the statutory public welfare fund. This fund can only be utilised on capital items for the collective benefit of the employees of these subsidiaries such as the construction of dormitories, canteen and other staff welfare facilities. This fund is non-distributable other than on liquidation. The transfer to this fund must be made before distribution of a dividend to shareholders.

Discretionary surplus reserve

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

Reserve fund

Pursuant to the Articles of Association of the PRC subsidiaries, these subsidiaries are required to transfer a portion of net profits, as determined in accordance with the PRC accounting rules and regulations, to the reserve fund until the reserve fund reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders. The reserve fund is not free for distribution as dividends but it can be used to make good previous years' losses, if any, and may be capitalised as share capital.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2006

26. Reserves (cont'd)

Enterprise expansion reserve

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

27. Dividends

	Group and Company	
	2006	**2005**
	Rmb'000	Rmb'000
Declared and paid during the year		
Dividends on ordinary shares		
- First and final tax exempt one-tier dividend for 2005: S$0.01 (Rmb 0.04955 equivalent) (2004: Nil) per ordinary share	9,295	–
	S$'000	S$'000
Proposed but not recognised as a liability as at 31 December		
Dividends on ordinary shares, subject to shareholders' approval at the Annual General Meeting		
- First and final tax exempt one-tier dividend: S$0.012 (2005: S$0.010) per ordinary share	2,251	1,876

NOTES TO THE FINANCIAL STATEMENTS

31 December 2006

28. Commitments

(a) *Non-cancellable operating lease commitments*

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

Future minimum lease payments payable under non-cancellable operating leases as at 31 December are as follows:

	Group	
	2006	**2005**
	Rmb'000	Rmb'000
Not later than one year	735	1,741
Later than one year but not later than five years	453	1,643
	1,188	3,384

(b) *Capital expenditure commitments*

Capital expenditure contracted for as at the balance sheet date but not recognised in the financial statements is as follows:

	Group	
	2006	**2005**
	Rmb'000	Rmb'000
Commitments in respect of contracts placed for the purchase of property, plant and equipment	12,521	7,040
Commitments in respect of the construction of buildings	1,052	312
	13,573	7,352

NOTES TO THE FINANCIAL STATEMENTS

31 December 2006

29. Related party transactions

An entity or individual is considered a related party of the Group for the purposes of the financial statements if: i) it possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the Group or vice versa; or ii) it is subject to common control or common significant influence.

(a) *Sale and purchase of goods and services*

In addition to those related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties who are not members of the Group took place during the year on terms agreed between the parties:

	Note	Group 2006 Rmb'000	Group 2005 Rmb'000	Company 2006 Rmb'000	Company 2005 Rmb'000
Revenue					
Sale of goods to associates	(i)	395	1,634	–	–
Sale of goods to a related party	(i)	1	–	–	–
Sale of raw materials to associates	(i)	–	4,740	–	–
Sale of raw materials to a related party	(i)	–	628	–	–
Expenses					
Purchase of goods from an associate	(i)	–	582	–	–
Purchase of raw materials from a related party	(i)	150	1,509	–	–
Others					
Sale of office supplies to a related party	(i)	1	1	–	–
Royalty income from licence of trademark to a related party	(ii)	100	100	–	–
Sale of property, plant and equipment to an associate	(iii)	–	3,100	–	–
Purchase of property, plant and equipment from an associate	(iii)	3,325	–	–	–
Directors' fees		392	107	392	107

Notes:

(i) The sale and/or purchase of goods, raw materials and/or office supplies were made at arm's length basis on normal commercial terms.

(ii) The licence of trademark was made at arm's length basis on normal commercial terms.

(iii) The sale and purchase of property, plant and equipment were made at arm's length basis on normal commercial terms.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2006

29. Related party transactions (cont'd)

(a) *Sale and purchase of goods and services (cont'd)*

The related parties mentioned in the sale and/or purchase transactions above comprise Fujian Yatai Building Materials Co., Ltd., and Fuqing Aton Innovation Building Materials Co., Ltd. who are related parties of the Group by virtue of certain key management personnel of the Company being directors and/or shareholders of these companies.

(b) *Guarantees for banking facilities*

	Group	
	2006	**2005**
	Rmb'000	Rmb'000
Guarantees provided to secure banking facilities used by the Group		
- by a related party, Fujian Yatai Building Materials Co., Ltd.	–	7,500
- by a director of the Company	–	3,000
- by a subsidiary	21,400	7,400
	21,400	17,900

(c) *Security for term loan from an external party*

Fuqing Aton Innovation Building Materials Co., Ltd. had, pursuant to a security agreement signed with Fuqing Municipal Financial Bureau dated 30 July 2004, provided security in the form of a mortgage over the land-use rights over one of its properties situated at Shangdian Guankou Village, Bolan, Jingyang Town, Fuqing City, Fujian Province, the PRC, for a long-term loan of Rmb 3,860,000 granted by the Fuqing Municipal Financial Bureau to a subsidiary, Fujian Aton Advanced Materials Science and Technology Co., Ltd. for the purchase of raw materials for its projects. Under the terms of the loan agreement, the loan is interest-free and is repayable over a period of 11 years commencing on 30 July 2006 in 10 equal instalments of Rmb 350,000 each and a final instalment of Rmb 360,000. During the financial year ended 31 December 2006, other than the scheduled payment of Rmb 350,000, an additional payment of Rmb 150,000 was made as requested by the Fuqing Municipal Financial Bureau. As at 31 December 2006, the remaining loan outstanding was Rmb 3,360,000. Fuqing Aton Innovation Building Materials Co., Ltd. has given an undertaking to our Group to provide the security given to the Fuqing Municipal Financial Bureau under the loan as long as it is required by the Fuqing Municipal Financial Bureau.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2006

29. Related party transactions (cont'd)

(d) *Remuneration of key management personnel*

	Group 2006 Rmb'000	Group 2005 Rmb'000
Salaries and bonuses	1,798	1,346
Pension costs	52	48
	1,850	1,394
Comprise amounts paid/payable to:		
- Executive directors of the Company	1,255	861
- Other key management personnel	595	533
	1,850	1,394

The remuneration of key management personnel are determined by the remuneration committee having regard to the performance of individuals and market trends.

30. Financial risk management objectives and policies

The Group's principal financial instruments comprise term loan from an external party, interest-bearing loans and borrowings, finance leases, and cash and bank balances. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as trade, bills and other receivables and trade, bills and other payables, which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading in derivative financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are credit risk, interest rate risk, liquidity risk and foreign currency risk. The management reviews and agrees policies for managing each of these risks and they are summarised below.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2006

30. Financial risk management objectives and policies (cont'd)

(a) *Credit risk*

The Group trades only with recognised and creditworthy third parties. As such, there is no requirement for collateral. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and other receivables (including related party balances), the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

As at 31 December 2006, the Group has no significant concentration of credit risk with any single customer or counterparty.

(b) *Interest rate risk*

The Group's exposure to changes in interest rates relates primarily to the Group's long-term debt obligations. The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.

Surplus funds are placed with reputable banks.

Information relating to the Group's interest rate exposure is also disclosed in the notes to the financial statements where applicable.

(c) *Liquidity risk*

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of loans and finance leases. In addition, in the management of liquidity risk, the Group monitors and maintains a level of cash and bank balances deemed adequate by the management to finance the operations of the Group and mitigate the effect of fluctuations in cash flows.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2006

30. Financial risk management objectives and policies (cont'd)

(d) *Foreign currency risk*

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

31. Financial instruments

(a) *Fair values*

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

Financial instrument carried at fair value

The Group has carried the non-current portion of the term loan from an external party at its fair value as required by FRS 39.

Financial instruments whose carrying amount approximates fair value

Management has determined that the carrying amounts of cash and bank balances, current trade, bills and other receivables, current trade, bills and other payables, current term loan from an external party, current interest-bearing loans and borrowings and current finance leases, based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature or are repriced frequently.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2006

31. Financial instruments (cont'd)

(a) *Fair values (cont'd)*

Financial instruments carried at other than fair value

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments that are carried in the financial statements at other than fair values as at 31 December.

	Group			
	Carrying amount		**Fair value**	
	2006	**2005**	**2006**	**2005**
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Financial liabilities				
Interest-bearing loans and borrowings (non-current)	10,000	4,000	9,914	3,965
Finance leases (non-current)	–	85	–	84

The fair values of these financial liabilities are estimated using discounted cash flow analysis, based on current incremental lending rates for similar types of lending and borrowing arrangements.

(b) *Interest rate risk*

The following tables set out the carrying amount, by maturity, of the Group's financial instruments that are exposed to interest rate risk:

Group	**Within 1 year**	**1-2 years**	**Total**
	Rmb'000	Rmb'000	Rmb'000
2006			
Fixed rate			
Interest-bearing loans and borrowings	135,560	10,000	145,560
Finance leases	85	–	85
Floating rate			
Cash assets	78,143	–	78,143

NOTES TO THE FINANCIAL STATEMENTS
31 December 2006

31. Financial instruments (cont'd)

(b) *Interest rate risk (cont'd)*

Group	**Within 1 year** Rmb'000	**1-2 years** Rmb'000	**Total** Rmb'000
2005			
Fixed rate			
Interest-bearing loans and borrowings	137,810	4,000	141,810
Finance leases	256	85	341
Floating rate			
Cash assets	38,434	–	38,434

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

32. Segment information

Business segments

The Group's primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced.

The Group is primarily engaged in the design, manufacture, distribution and installation of a variety of plastic pipes and pipe fittings for use in various types of piping systems and networks in the following business segments:

- Drainage and sewerage series
- Water supply series
- Telecommunication and electrical series
- Water-saving irrigation series
- Fuel gas series

NOTES TO THE FINANCIAL STATEMENTS
31 December 2006

32. Segment information (cont'd)

Business segments (cont'd)

There are no inter-segment sales.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment assets and liabilities cannot be directly attributable to individual segments and it is impractical to allocate them to the segments. Accordingly, it is not meaningful to disclose assets and liabilities by business segments.

	Drainage and sewerage Rmb'000	**Water supply** Rmb'000	**Telecom-munication and electrical** Rmb'000	**Water-saving irrigation** Rmb'000	**Fuel gas** Rmb'000	**Total** Rmb'000
Year ended 31 December 2006						
Revenue	169,738	253,389	61,923	14,545	8,040	507,635
Segment result	31,594	43,705	9,502	2,365	1,215	88,381
Unallocated expenses						(178)
Profit from operations						88,203
Financial expense						(10,341)
Financial income						244
Share of results of associates						(39)
Profit before tax						78,067
Tax expense						(16,467)
Profit for the year						61,600
Attributable to:						
Equity holders of the Company						57,660
Minority interests						3,940
						61,600
Depreciation of property, plant and equipment						21,215
Capital expenditure						46,713

NOTES TO THE FINANCIAL STATEMENTS
31 December 2006

32. Segment information (cont'd)

Business segments (cont'd)

	Drainage and sewerage Rmb'000	Water supply Rmb'000	Telecom-munication and electrical Rmb'000	Water-saving irrigation Rmb'000	Fuel gas Rmb'000	Total Rmb'000
Year ended 31 December 2006						
Amortisation of deferred income relating to term loan from an external party						(234)
Negative goodwill arising from acquisition of minority interest in a subsidiary						(13)
Allowance for doubtful trade receivables						2,337
Write-back of allowance for doubtful trade receivables						(464)
Provision for inventory obsolescence						101
Write-back of provision for inventory obsolescence						(675)
Year ended 31 December 2005						
Revenue	162,550	197,265	62,010	13,494	2,017	437,336
Segment result	32,473	34,713	7,757	2,823	196	77,962
Unallocated income						1,199
Profit from operations						79,161
Financial expense						(11,571)
Financial income						189
Share of results of associates						(30)
Profit before tax						67,749
Tax expense						(14,362)
Profit for the year						53,387

32. Segment information (cont'd)

Business segments (cont'd)

	Drainage and sewerage Rmb'000	Water supply Rmb'000	Telecom-munication and electrical Rmb'000	Water-saving irrigation Rmb'000	Fuel gas Rmb'000	Total Rmb'000
Year ended 31 December 2005						
Attributable to:						
Equity holders of the Company						50,492
Minority interests						2,895
						53,387
Depreciation of property, plant and equipment						17,961
Capital expenditure						44,066
Amortisation of deferred income relating to term loan from an external party						(175)
Negative goodwill arising from acquisition of minority interests in subsidiaries						(1,781)
Allowance for doubtful trade receivables						771
Write-back of allowance for doubtful trade receivables						(312)
Provision for inventory obsolescence						1,741

Geographical segments

No analysis by geographical segment is provided as the principal assets employed by the Group are located in the PRC and the Group's revenue and profits are primarily derived from the sale of plastic pipes and pipe fittings to customers in the PRC.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2006

33. Reclassifications and comparative figures

Certain reclassifications have been made to the prior year's consolidated cash flow statement and reserves to conform with the current year's presentation as follows:

Consolidated cash flow statement

	Group	
	Previously reported	**After reclassification**
	Rmb'000	Rmb'000
Cash flows from operating activities		
Increase in pledged bank balances	(3,439)	–
Increase in accrued liabilities and other payables	9,503	8,056
Cash flows from investing activities		
Capital contribution made by minority shareholders of subsidiaries	–	1,447
Cash flows from financing activities		
Increase in pledged bank balances	–	(3,439)

Reserves

	Group	
	Previously reported	**After reclassification**
	Rmb'000	Rmb'000
Statutory surplus reserve		
At beginning of year	11,141	10,094
Arising from acquisition of subsidiary	15	–
Appropriation from accumulated profits	4,872	3,698
At end of year	16,028	13,792

NOTES TO THE FINANCIAL STATEMENTS
31 December 2006

33. Reclassifications and comparative figures (cont'd)

Reserves (cont'd)

	Group	
	Previously reported	**After reclassification**
	Rmb'000	Rmb'000
Statutory public welfare fund		
At beginning of year	5,532	7,257
Appropriation from accumulated profits	2,436	1,476
At end of year	7,968	8,733
Discretionary surplus reserve		
At beginning of year	5,926	3,311
Arising from acquisition of subsidiary	18	–
At end of year	5,944	3,311
Reserve fund		
At beginning of year	–	1,146
Arising from acquisition of subsidiary	–	26
Appropriation from accumulated profits	–	1,174
At end of year	–	2,346
Enterprise expansion reserve		
At beginning of year	454	1,245
Arising from acquisition of subsidiary	18	25
Appropriation from accumulated profits	–	960
At end of year	472	2,230
Total	30,412	30,412

NOTES TO THE FINANCIAL STATEMENTS
31 December 2006

34. Event after the balance sheet date

The Company has on 1 February 2007 entered into Placement Agreements (the "Placement Agreement") with (i) Dubai Ventures Limited, a company incorporated in the Cayman Islands, British West Indies, (ii) Mr Freddie Heng Kim Chuan, (iii) Ms Heny Chen Wan Ching and (iv) Ms Linda Lim Geok Chee (the "Placees") respectively, pursuant to which the Placees have agreed to subscribe for 37,500,000 new ordinary shares (the "Placement Shares") at S$0.32 for each Placement Share, in the following proportion:

Name	Number of Placement Shares
Dubai Ventures Limited	28,000,000
Freddie Heng Kim Chuan	7,000,000
Heny Chen Wan Ching	1,000,000
Linda Lim Geok Chee	1,500,000

The Placement Shares, which will be priced at S$0.32 each, represents a discount of approximately 9.58% to the weighted average price of S$0.3539 for trades done on the Singapore Exchange Securities Trading Limited ("SGX-ST") for the full market day on 31 January 2007, being the market day immediately preceding the date on which the Placement Agreement was signed. The Placement Shares, when issued and fully paid, shall rank pari passu in all respects with and carry all rights similar to the existing issued shares, except that they will not rank for any dividends, rights, allotments or other distributions, accruing on a record date which falls on or before the date of the completion of the share placement.

The approval in-principle of the SGX-ST for the listing and quotation of the Placement Shares on the Official List of the SGX-ST was obtained on 2 March 2007. The approval of the shareholders of the Company for the issue of shares not exceeding 20% of the issued capital of the Company for the time being was obtained at the Annual General Meeting of the Company held on 25 April 2006. The Placement Shares represent approximately 19.99% of the present issued share capital of the Company.

The purpose of the share placement is to allow the Company to raise net proceeds of approximately S$11,950,000. The Company intends to use the net proceeds from the share placement to fund the expansion of the Group's business through investments, acquisitions and/or joint ventures as and when the opportunities arise as well as for the general working capital of the Group.

Pending the deployment of the net proceeds from the share placement for the purposes mentioned above, the net proceeds may be placed as deposits with financial institutions or invested in short-term money markets or debt instruments or for any other purposes on a short-term basis as the directors may deem fit.

35. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2006 were authorised for issue in accordance with a resolution of the directors on 12 March 2007.

MAJOR PROPERTIES

Description	Location	Land / Built-In Area (sqm)	Tenure / Expiry
Office, production and storage facilities	Guangrong Village Jingyang Town Fuqing City, Fujian Province People's Republic of China	33,123 (Land) 28,111 (Built-in)	50 years, expiring on 20 November 2044
Office, production and storage facilities	Guangrong Village Jingyang Town Fuqing City, Fujian Province People's Republic of China	41,651 (Land) 22,494 (Built-in)	50 years, expiring on 9 June 2044
Storage facilities	Bolan Village Jingyang Town Fuqing City, Fujian Province People's Republic of China	23,866 (Land) (No built-in)	50 years, expiring on 20 August 2053
Storage facilities	Bolan Village Jingyang Town Fuqing City, Fujian Province People's Republic of China	2,247 (Land) (No built-in)	50 years, expiring on 11 December 2053
Office, production and storage facilities	Zhangxinzhuang Village Zhangjiawan Town Tong Zhou District, Beijing People's Republic of China	43,711 (Land) 6,625 (Built-in)	50 years, expiring on 30 September 2052
Office, production and storage facilities	West Side, North Part of Qingnian Road Kaifeng County, Henan Province People's Republic of China	7,760 (Land) 2,815 (Built-in)	50 years, expiring on 8 July 2048

MAJOR PROPERTIES

Description	Location	Land / Built-In Area (sqm)	Tenure / Expiry
Office, production and storage facilities	Tiangao Road, Gaoliang Town Wanzhou District, Chongqing City People's Republic of China	26,149 (Land) 7,816 (Built-in)	50 years, expiring on 16 October 2052
Office, production and storage facilities	West Side of Tengfei Road and South Side of Siwei Road Ruyi Development Zone of Huhhot Inner Mongolia People's Republic of China	23,918 (Land) 3,791 (Built-in)	50 years, expiring on 20 July 2050
Production and storage facilities	No. 8 Qingfang Road Xiantao City, Hubei Province People's Republic of China	42,572 (Land) 3,980 (Built-in)	50 years, expiring on 29 August 2052
Office, production and storage facilities	Hanjiang Road, Ganhe Office Xiantao City, Hubei Province People's Republic of China	11,075 (Land) 4,000 (Built-in)	50 years, expiring on 10 December 2056
Office, production and storage facilities	Yonghong Sihe Community Jiamusi, Jiaoqu District Heilongjiang Province People's Republic of China	1,317 (Land) 6,750 (Built-in)	50 years, expiring on 1 August 2042

STATISTICS OF SHAREHOLDINGS

As at 7 March 2007

Issued and fully paid-up capital	:	S$37,952,854.60
Number of shares	:	187,594,900
Class of shares	:	Ordinary share
Voting rights	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 – 999	1	0.11	40	0.00
1,000 – 10,000	281	30.38	2,000,000	1.07
10,001 – 1,000,000	628	67.89	48,626,830	25.92
1,000,001 and above	15	1.62	136,968,030	73.01
Total	925	100.00	187,594,900	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	KUSNADI LYBIANTO	52,727,160	28.11
2.	HL BANK NOMINEES (S) PTE LTD	36,970,870	19.71
3.	OCBC SECURITIES PRIVATE LTD	8,976,000	4.78
4.	CIMB-GK SECURITIES PTE. LTD.	7,617,000	4.06
5.	CITIBANK NOMINEES SINGAPORE PTE LTD	5,370,000	2.86
6.	REBECCA THE	5,229,000	2.79
7.	DBSN SERVICES PTE LTD	4,480,000	2.39
8.	PHILLIP SECURITIES PTE LTD	3,212,000	1.71
9.	UOB KAY HIAN PTE LTD	2,403,000	1.28
10.	HSBC (SINGAPORE) NOMINEES PTE LTD	2,164,000	1.15

STATISTICS OF SHAREHOLDINGS

As at 7 March 2007

TWENTY LARGEST SHAREHOLDERS (CONT'D)

No.	Name of Shareholders	Number of Shares	%
11.	UNITED OVERSEAS BANK NOMINEES PTE LTD	2,099,000	1.12
12.	TEO SZE SOON (ZHANG ZHISHUN)	1,808,000	0.96
13.	DBS VICKERS SECURITIES (S) PTE LTD	1,342,000	0.72
14.	CHOY PENG HA	1,290,000	0.69
15.	KIM ENG SECURITIES PTE. LTD.	1,280,000	0.68
16.	JIN JIN	1,000,000	0.53
17.	LAU LIAT PHEOW	1,000,000	0.53
18.	YEO LAY ENG	1,000,000	0.53
19.	SNG KAY BOON TERENCE	970,000	0.52
20.	LIE A SUN	950,000	0.51
	TOTAL	141,888,030	75.63

SUBSTANTIAL SHAREHOLDERS
(As recorded in the Register of Substantial Shareholders)

Name of Substantial Shareholders	Direct Interest	%	Deemed Interest	%
KUSNADI LYBIANTO	52,727,160	28.11	–	–
LOYAL TEAM GROUP LIMITED *	–	–	36,423,895	19.42
CHEN LI HUI **	–	–	36,423,895	19.42

* Loyal Team Group Limited is deemed interested in the 36,423,895 shares held in trust by HL Bank Nominees (S) Pte Ltd.

** Mr Chen Li Hui is deemed interested in the 36,423,895 shares held in trust by HL Bank Nominees (S) Pte Ltd for Loyal Team Group Limited by virtue of his 39.5% shareholding in Loyal Team Group Limited.

PERCENTAGE OF SHAREHOLDING HELD IN THE HANDS OF PUBLIC

Based on information available to the Company as at 7 March 2007, approximately 51.24% of the issued ordinary shares of the Company was held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

NOTICE OF THIRD ANNUAL GENERAL MEETING

Sinopipe Holdings Limited
(Company Registration Number: 200411382N)
(Incorporated in Singapore with limited liability)

NOTICE IS HEREBY GIVEN that the Third Annual General Meeting of Sinopipe Holdings Limited (the "Company") will be held at Emerald Room 1, Level 4, Bayview Hotel Singapore, 30 Bencoolen Street, Singapore 189621 on Friday, 27 April 2007 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the financial year ended 31 December 2006 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final tax exempt one-tier dividend of 1.2 Singapore cents per ordinary share for the financial year ended 31 December 2006 (2005: 1.0 Singapore cent). **(Resolution 2)**

3. To re-elect the following Directors retiring pursuant to Article 107 of the Company's Articles of Association:

   Mr Chen Li Hui **(Resolution 3)**
   Mr Sim Yong Chan **(Resolution 4)**

   Mr Sim Yong Chan will, upon re-election as a Director of the Company, remain as Chairman of the Nominating Committee as well as a member of the Audit and Remuneration Committees and will be considered independent.

4. To pass the following Ordinary Resolution pursuant to Section 153(6) of the Companies Act, Cap. 50:

   "That pursuant to Section 153(6) of the Companies Act, Cap. 50, Mr Kusnadi Lybianto be re-appointed a Director of the Company to hold office until the next Annual General Meeting."
   [See Explanatory Note (i)]

   Mr Kusnadi Lybianto will, upon re-appointment as a Director of the Company, remain a member of the Audit, Nominating and Remuneration Committees and will be considered non-independent. **(Resolution 5)**

5. To approve the payment of Directors' fees of S$77,000.00 for the financial year ending 31 December 2007 to be paid half-yearly in arrears (2006: S$77,000.00). **(Resolution 6)**

NOTICE OF THIRD ANNUAL GENERAL MEETING

AS ORDINARY BUSINESS (CONT'D)

6. To re-appoint Messrs Ernst & Young as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 7)**

7. 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 resolution as Ordinary Resolution, with or without any modifications:

8. Authority to allot and issue shares up to 50 per centum (50%) of issued shares in the capital of the Company

   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, the Directors be empowered to allot and issue shares and convertible securities in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares (including shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to this Resolution) to be allotted and issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the issued 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 issued shares in the capital of the Company 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 (ii)] **(Resolution 8)**

By Order of the Board

Gn Jong Yuh Gwendolyn
Company Secretary

Singapore
4 April 2007

NOTICE OF THIRD ANNUAL GENERAL MEETING

Explanatory Notes:

(i) The effect of the Ordinary Resolution 5 proposed in item 4 above is to re-appoint a director who is over 70 years of age.

(ii) The Ordinary Resolution 8 proposed in item 8 above, if passed, will empower the Directors from the date of this Meeting until the date of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held or when varied or revoked by the Company in general meeting, whichever is the earlier, to allot and issue shares and convertible securities in the Company. The number of shares and convertible securities that the Directors may allot and issue under this resolution would not exceed fifty per centum (50%) of the issued shares in the capital of the Company at the time of the passing of this resolution. For issue of shares and convertible securities other than on a pro rata basis to all shareholders, the aggregate number of shares and convertible securities to be issued shall not exceed twenty per centum (20%) of the issued shares in the capital of the Company at the time of the passing of this resolution.

For the purpose of this resolution, the percentage of issued shares is based on the issued shares in the capital of the Company 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 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 one or two proxies 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 1 Robinson Road, #18-00, AIA Tower, Singapore 048542 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

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PROXY FORM

(Please see notes overleaf before completing this Proxy Form)

SINOPIPE HOLDINGS LIMITED
(Company Registration Number: 200411382N)
(Incorporated in Singapore with limited liability)

IMPORTANT:

1. For investors who have used their CPF monies to buy Sinopipe 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 attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

*I/We, ______________________________ of ______________________________

being *a member/members of SINOPIPE HOLDINGS LIMITED (the "Company"), hereby appoint:

Name	NRIC/Passport Number	Proportion of Shareholdings	
		Number of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport Number	Proportion of Shareholdings	
		Number 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 Third Annual General Meeting (the "Meeting") of the Company to be held at Emerald Room 1, Level 4, Bayview Hotel Singapore, 30 Bencoolen Street, Singapore 189621 on Friday, 27 April 2007 at 10.00 a.m. 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
1	Directors' Report and Audited Accounts for the financial year ended 31 December 2006		
2	Declaration of first and final tax exempt one-tier dividend of 1.2 Singapore cents per ordinary share for the financial year ended 31 December 2006		
3	Re-election of Mr Chen Li Hui as a Director		
4	Re-election of Mr Sim Yong Chan as a Director		
5	Re-appointment of Mr Kusnadi Lybianto as a Director		
6	Approval of Directors' fees amounting to S$77,000.00 for the financial year ending 31 December 2007 to be paid half-yearly in arrears		
7	Re-appointment of Ernst & Young as Auditors		
8	Authority to allot and issue new shares		

Dated this ______________ day of ______________ 2007

Total number of Shares in:	Number of Shares
(a) CDP Register	
(b) Register of Members	

____
Signature of Shareholder(s) or, Common Seal of Corporate Shareholder

* Delete accordingly.

PROXY FORM

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 1 Robinson Road, #18-00, AIA Tower, Singapore 048542 not less than 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 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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SINOPIPE HOLDINGS LIMITED
Company Registration Number: 200411382N

Registered Office:
1 Robinson Road #18-00
AIA Tower
Singapore 048542
Telephone: (65) 6535 1944
Facsimile: (65) 6535 8577

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