SINOPIPE HOLDINGS LIMITED
中国管业控股有限公司

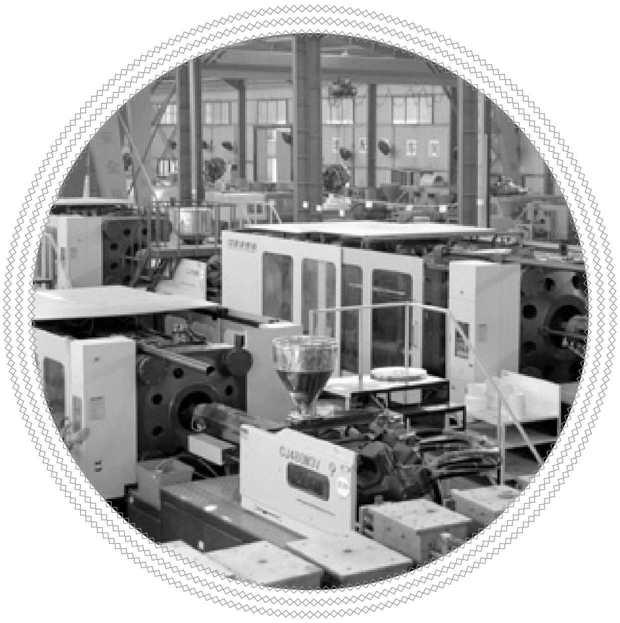
Annual Report 2015

CONTENTS

CORPORATE **PROFILE**

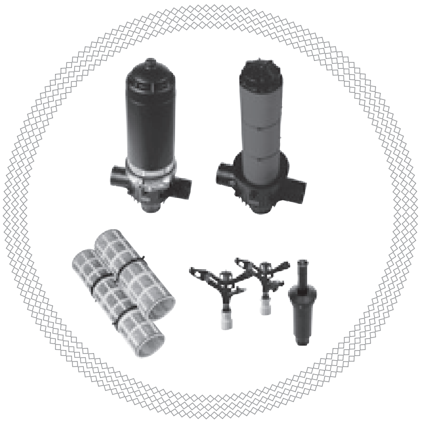
Established since 1994, we are primarily engaged in the design, manufacture, distribution and installation of a variety of plastic pipes and pipe fittings for use in various types of piping systems and networks in applications such as water supply, drainage and sewerage, telecommunication, power supply,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

We have 3 production facilities located in the People's Republic of China (the "PRC") and we sell our products through a distribution network of the Company's subsidiaries and branch offices, and independent provincial distributors and independent sub-distributors with smaller geographical coverage within the PRC. Our subsidiaries and branch offices, and independent provincial distributors and independent sub-distributors have been assigned territorial boundaries within which to conduct sales and marketing of our products. This allows them to consistently serve the same group of customers so as to better understand their needs and changes in the market demand. Our revenue is primarily generated from sales of our products in the PRC domestic market.



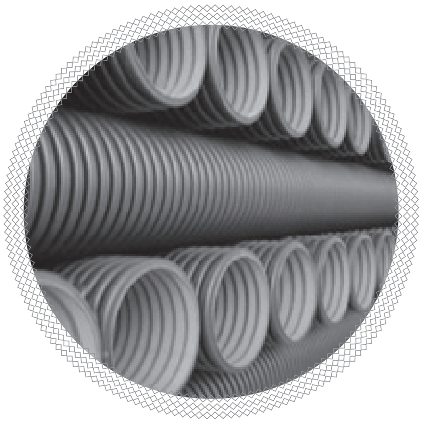
OUR **PRODUCTS**

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



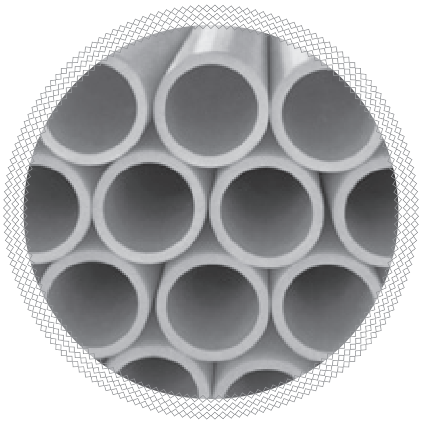
Water-Saving Irrigation Series

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



Drainage and Sewerage Series

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



Fuel Gas Series

Transportation of natural and fuel gas.

Telecommunication and Electrical Series

Protective casing for telecommunication and electrical cables.

Water Supply Series

Transportation of clean water from its source to designated areas.

LETTER TO SHAREHOLDERS

Dear Shareholders,

On behalf of the Board of Directors, I would like to present to you the Annual Report for the financial year ended 31 December 2015 ("FY2015").

FY2015 was another challenging year for the Group. Plastic pipe business remained highly competitive and the Group's business was also affected by the slowdown in the properties development market and municipal infrastructure development projects due to challenging economic conditions in the People's Republic of China ("PRC"). Despite the challenging economic and market conditions, the Group was still able to achieve earnings before interest, tax, depreciation and amortisation as well as generate positive operating cash flows due to restructuring and streamlining of its operations as well as cost-cutting measures implemented by the management. Although the Group had managed to reduce its operating costs and operating losses in FY2015, the financial results was significantly affected by high finance cost and as a results net loss of RMB112.1 million was incurred in FY2015.

Early this year, the Group was seriously affected by a very challenging situation as banks in the PRC have been tightening their credit policy due to economic slowdown in the PRC and this had put the Group under significant financial pressure. Due to significant lack of working capital fund for operations, except for the operations of the Company's principal subsidiaries in Fujian, being Fujian Atontech, Sichuan, being Sichuan Aton Plastic Co., Ltd and Guizhou, being Sinopipe Guizhou Co., Ltd, all other production plants had been shut down.

Moving forward

To address this financial challenge faced by the Group, the management has been actively approaching potential investors to inject capital funds into the Group and negotiating and securing banking facilities and re-financing package with other banks in the PRC. In addition, the management will continue the efforts on streamlining the operations of the remaining three subsidiaries in the PRC to stay lean and viable.

Acknowledgements

I wish to record my appreciation to the Board, particularly the independent directors who had put in extensive time and given their guidance, the Management team and staff for their counsel, contribution and hard work rendered in the past year. On behalf of the Board, I wish to take the opportunity to thank our shareholders for the unwavering support.

Wang Sen
Executive Chairman and Chief Executive Officer

OPERATIONS & FINANCIAL REVIEW

Revenue

Group revenue for FY2015 amounted to RMB733.3 million, decrease by 8.1% compared with revenue of RMB797.5 million in FY2014 mainly attributable to lower sales from the water supply segment. Gross profit, however increased by RMB8.4 million or 7.7% due to higher gross margin which had improved from 13.6% in FY2014 to 16.0% in FY2015.

Other income increased by RMB6.9 million or 38.6% mainly due to higher interest income by RMB2.1 million, compensation income by RMB7.2 million offset by lower write-back of receivables by RMB1.5 million and gain on sale of raw materials and by-products by RMB 879,000.

Expenses

Selling and distribution expenses and Administrative expenses decreased by RMB18.0 million or 25.6% and RMB15.1 million or 21.3% respectively due to streamlining of operations and cost-cutting measures implemented by the Group. Other expenses decreased by RMB125.9 million or 79.0% to RMB33.5 million in FY2015 from RMB159.4 million in FY2014 mainly because of lower impairment loss on doubtful trade receivables and contract receivables by RMB124.6 million. Finance costs increased slightly by 3.0% from RMB106.6 million in FY2014 to RMB109.7 million in FY2015.

The Group's main associated company, Yunnan Aton High Molecular Materials Technology Co., Ltd continued to report operating losses in FY2015. As a result, Share of losses of associates of RMB1.8 million was reported in FY2015.

Profit and loss

As a results of the above, Group net loss for the year decreased significantly by RMB172.3 million or 60.6% to RMB112.1 million in FY2015 from RMB 284.4 million in FY2014.

Financial Position

The Group's non-current assets amounted to RMB381.4 million as at 31 December 2015, a decrease by RMB26.4 million compared to the preceding financial year end as at 31 December 2014. The decrease was mainly due to depreciation charges of RMB30.5 million on property, plant and equipment.

Current assets was RMB436.5 million, a decrease by RMB 54.4 million compared to the preceding financial year end as at 31 December 2014. The decrease was mainly attributable to decrease in inventories by RMB26.3 million, trade and other receivables by RMB 11.4 million and cash and bank balances by RMB36.4 million offset by increase in held-for-trading investment of RMB20.0 million.

Current liabilities increased by RMB87.4 million to RMB1.3 billion compared to the preceding financial year end as at 31 December 2014. The increase was mainly due to higher trade and other payables by RMB70.3 million and short-term borrowings by RMB15.1 million.

Non-current liabilities decreased to RMB91.5 million by RMB56.0 million compared to the preceding financial year end as at 31 December 2014. The decrease was mainly due to decrease in long-term borrowings by RMB55.4 million.

Shareholders' Funds

As at 31 December 2015, capital deficiency increased to RMB609.8 million attributable to Group net loss of RMB112.1 million recorded in FY2015.

Cash Flows

The Group registered net cash generated from operating activities of RMB117.6 million in FY2015 mainly because of lower operating losses and prudent working capital management.

Net cash used in investing activities amounted to RMB24.3 million mainly for the acquisition of property, plant and equipment of RMB12.5 million and held-for-trading investments of RMB20.0 million.

Net cash used in financing activities of RMB92.2 million was mainly due to interest payment of RMB89.4 million, net repayment of borrowings of RMB5.6 million and repayment of convertible loan of RMB 34.7 million offset by decrease in pledged bank deposits of RMB37.5 million.

As at 31 December 2015, the Group had cash and cash equivalents of RMB19.6 million (net of pledged bank balances).

BOARD OF **DIRECTORS**

Mr Wang Sen

Mr Wang was appointed as a Non-Executive Director on 22 September 2012 and as the Non-Executive Chairman of our Company on 15 October 2012. He was re-designated as Executive Chairman and Executive Director and appointed as Chief Executive Officer on 6 August 2016. Mr Wang is a member of the Nominating Committee. Mr Wang is also the Chairman of the Board of our principal subsidiary in the PRC, Fujian Aton Advanced Materials Science and Technology Co., Ltd. Mr Wang has been a Director of Faith Start Holdings Limited since 2010 and the Chairman of the Board of Max Rich Management Ltd since 2008. Mr Wang graduated from Shangdong Finance University with Bachelor of Public Finance. Mr Wang was last re-elected on 30 June 2014.

Mr Chew Heng Ching

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

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

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

Mr Tommy Lybianto

Mr Lybianto was appointed as a Non-Executive Director of our Company on 7 June 2013. He was re-designated as Executive Director and appointed as Chief Executive Officer from 2 July 2016 till 6 August 2016. He was re-designated as Non-Executive Director and appointed as a member of the Audit Committee on 6 August 2016.

Mr Lybianto is the Chairman of Hengtraco Group since 1986 and is a Director of PT Triwira Insanlestari, a public listed company in Indonesia since 1992. Mr Lybianto graduated from California State University, Los Angeles with Bachelor of Finance. Mr Lybianto was last re-elected on 9 June 2015.

Mr Soh Beng Tiong

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

Mr Soh has been involved in operational and financial management of manufacturing, agriculture and real estate development for the past 40 years. Mr Soh was last re-elected on 9 June 2015.

Mr Chen Que
Chief Operating Officer

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

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

Mr Phang Kong Juan
Financial Controller

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

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

CORPORATE **INFORMATION**

Board of Directors
Wang Sen
(Executive Chairman and Chief Executive Officer)

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

Tommy Lybianto
(Non-Executive Director)

Soh Beng Tiong
(Independent Non-Executive Director)

Audit Committee
Chew Heng Ching *(Chairman)*
Soh Beng Tiong
Tommy Lybianto

Nominating Committee
Chew Heng Ching *(Chairman)*
Soh Beng Tiong
Wang Sen

Remuneration Committee
Soh Beng Tiong *(Chairman)*
Chew Heng Ching

Joint Company Secretaries
Phang Kong Juan
Chew Bee Leng

Registered Office
80 Raffles Place
#32-01 UOB Plaza 1
Singapore 048624
Telephone: +65 6225 2626
Facsimile: +65 6225 1838

Principal Places of Business
Jingyang Industrial Area of Fuqing City
Fujian Province 350304
The People's Republic of China
Telephone: +86 591 8531 5915
Facsimile: +86 591 8531 1542

16 Ayer Rajah Crescent
#03-06
Singapore 139965
Telephone: +65 6223 8230
Facsimile: +65 6223 8279

Website: www.sinopipe.com.sg

Company Registration Number
200411382N

Share Registrar
RHT Corporate Advisory Pte. Ltd.
Six Battery Road #10-01
Singapore 049909

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

Partner-in-charge: Lai Keng Wei
(with effect from financial year 2011)

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

CORPORATE GOVERNANCE **REPORT**

This Corporate Governance Report describes the corporate governance processes and activities of Sinopipe Holdings Limited (the "Company") and its subsidiaries (the "Group") with specific reference to each of the principles and guidelines in the Code of Corporate Governance 2012 (the "Code"). The Board confirms that, for the financial year ended 31 December 2015 ("FY2015"), the Group has generally adhered to the principles and guidelines set out in the Code. Any deviations from the Code are disclosed and explained in this report. For proper reference, the principles of the Code under discussion are identified in bold.

Principle 1 : Board's Conduct of its Affairs

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

The Board is responsible for:

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

2. establishing a framework of prudent and effective controls which enables risk to be assessed and managed, including safeguarding the interests of shareholders and the Group's assets;

3. reviewing Management performance;

4. setting the Group's values and standards, and ensuring that obligations to shareholders and other key stakeholders are understood and met;

5. ensuring the Group's compliance with laws, regulations, policies, directives, guidelines and internal code of conduct;

6. ensuring the Group's compliance with good corporate governance practices;

7. approving quarterly, half-year and financial statements; and

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

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

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

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

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

The number of meetings of the Board and the Board Committees held in FY2015 and the attendance of the Directors (who were in office in FY2015) are set out in the table below:

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

	Board Meeting		Audit Committee Meeting		Nominating Committee Meeting		Remuneration Committee Meeting	
Name of Director	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Chew Heng Ching	4	4	7	7	1	1	1	1
Pu Weidong*	4	4	NA	NA	NA	NA	NA	NA
Soh Beng Tiong	4	4	7	7	1	1	1	1
Wang Sen	4	3	7	3	1	0	NA	NA
Tommy Lybianto	4	1	NA	NA	NA	NA	NA	NA

* Pu Weidong resigned as Director on 2 July 2016.

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

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

Principle 2 : Board Composition and Guidance

The Board currently consists of four (4) Directors of whom two (2) are independent. The list of Directors is as follows:

Executive
Wang Sen (Re-designated on 6 August 2016)

Non-Executive
Tommy Lybianto

Non-Executive and Independent
Chew Heng Ching
Soh Beng Tiong

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

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

The Board notes the Code's recommendation for the independent directors to make up at least half of the Board as the Chairman. Mr Wang Sen is an Executive and Non-Independent Director. The Board further noted that the Code recommends that the independent directors to make up at least half of the Board if Chairman and Chief Executive officer of the company is the same person. Mr Wang was re-designated as Executive Chairman and appointed as Chief Executive Officer of the Company. Presently, independent directors make up half of the Board.

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

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

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

Principle 3 : Chairman and Chief Executive Officer

The roles of Executive Chairman and Chief Executive Officer are undertaken by Mr Wang who is primarily responsible for overseeing the overall management, strategic planning and business development of the Group as well as the effective working of the Board. The responsibilities of the Executive Chairman include:

1. leading the Board to ensure its effectiveness on all aspects of its role and setting its agenda;

2. ensuring that the Directors receive accurate, timely and clear information;

3. ensuring effective communication and preserving harmonious relations with the shareholders;

4. encouraging constructive relations between the Board and Management and between the Executive Directors and Non-Executive Directors;

5. facilitating the effective contribution of the Non-Executive Directors in particular;

6. promoting high standards of corporate governance and ensuring the Group's compliance with the Code; and

7. acting in the best interest of the Group and the shareholders.

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

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

Principle 4 : Board Membership
Principle 5 : Board Performance

The members of the NC are as follows:

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

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

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

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

3. determining annually whether or not a Director is independent (taking into account the circumstances set out in the Code and other salient factors); and

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

New Directors are appointed by way of a board resolution after the NC has assessed their qualification and recommended to the Board for appointment. Such new Directors are required to submit themselves for re-election at the AGM held immediately after appointment. Pursuant to the Company's Constitution, all Directors are required to submit themselves for re-election at least once every three years.

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

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

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

Principle 10 : Accountability

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

Principle 11 : Risk Management and Internal Controls
Principle 12 : Audit Committee
Principle 13 : Internal Audit

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

Chew Heng Ching	(Chairman)
Soh Beng Tiong	(Member)
Wang Sen[1]	(Member)
Tommy Lybianto[2]	(Member)

(1) Wang Sen ceased as a member on 6 August 2016 as he was re-designated as an Executive Director.
(2) Tommy Lybianto was appointed as a member on 6 August 2016.

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

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

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

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

4. reviewing and reporting to the Board at least annually the adequacy and effectiveness of the Group's material internal controls, including financial, operational, compliance and information technology controls and risk management via reviews carried out by the internal auditors;

5. reviewing at least annually the adequacy and effectiveness of the Group's internal audit function;

6. recommending to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors;

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

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

9. reviewing interested person transactions.

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

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

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

The AC has met with the external auditors without the presence of the Management in FY2015, and will arrange to meet with the internal auditors without the presence of the Management after they have completed their review this year.

During FY2015, the AC has undertaken a review of all audit services provided by the external auditors, including the nature and extent of such services. The aggregate amount of fees paid to the external auditors for FY2015 is RMB 1,721,000 and there was no non-audit services rendered to the Group by the external auditors.

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

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

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

The Company has established an internal audit function that is adequately resourced and independent of the activities it audits. The team carries out internal audit work on the PRC subsidiaries of the Group under the supervision of and reports to the AC. The internal audit team is headed by an Internal Audit Manager who possesses Chinese CPA professional qualification from The Chinese Institute of Certified Public Accountants. The rest of the team comprises professionally qualified accountants with audit experience. The internal audit plan is approved by the AC and the results of the audit findings are submitted to the AC for its review. The internal auditors report to the Chairman of the AC on audit matters and to the CEO for administrative matters. In addition, the Company has also engaged an external professional service firm, Nexia TS Risk Advisory Pte Ltd ("Nexia TS"), to perform review and test of controls of critical processes. The Management will seek to ensure that there is no duplication of work performed by Nexia TS and the in-house internal audit team.

The external and internal auditors and internal audit team have unfettered access to all the Company's documents, records, properties and personnel, including full access to the AC.

Following the completion of the Special Audit in July 2013, the current Board has been taking steps in enhancing the Group's internal controls addressing financial, operational, compliance and information technology risks. The AC has reviewed the overall scope of the internal and external audits and the assistance given by the Management to the internal and external auditors. The AC has met with the Company's internal auditors to discuss the results of their evaluation of the Group's system of internal controls for FY2015. The Management has noted the internal control weaknesses highlighted by the internal and external auditors and will work closely with them on the implementation of the recommendations by the next audit reviews or the timeline stipulated in their reports. The Management will report the follow up actions to the AC for review and monitoring.

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

The Group's financial risk management is disclosed under Note 32 of the Notes to the financial statements of the Annual Report.

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

Whilst the AC and the Board continues to work with the external and internal auditors as well as the Management on reviewing and strengthening the internal controls, based on the procedures and policies established and maintained by the Group, and work and review performed by the internal auditors, the AC and the Board are of the opinion that the Group's internal controls addressing financial, operational, compliance and information technology controls and risk management systems were adequate and effective as at 31 December 2015. This is also supported by assurance from the CEO and the Financial Controller that:

(a) since they have taken over the management of the Group and after the special audit report was issued in July 2013, steps have been taken to reorganise the finance and accounting team and to implement the new Enterprise Resources Planning system so that the financial records of the Group are properly maintained and the financial statements give a true and fair view of the Group's operations and finances and are in accordance with the relevant accounting standards; and

(b) to the best of their knowledge, there are no known significant deficiencies or lapses in the Group's risk management and internal controls systems which could adversely affect the Group's ability to record, process, summarise or report financial data.

Remuneration Matters

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

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

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

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

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

The RC's main duties are:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A breakdown, showing the level and mix (in percentage terms) of each individual Director's remuneration for FY2015 is as follows:

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

* Pu Weidong resigned on 2 July 2016.

Disclosure of the key executives' remuneration in bands of S$250,000 for FY2015 is as follows:

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

The total remuneration, in aggregate, paid to the above key executives (who are not Directors or CEO) for FY2015 is approximately S$305,000.

There is no employee of the Group who is an immediate family member of a Director or the CEO of the Company and whose remuneration exceeds S$50,000 in FY2015.

Principle 6 : Access to Information

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

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

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

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

Principle 14 : Shareholder Rights
Principle 15 : Communication with Shareholders
Principle 16 : Conduct of Shareholder Meetings

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

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

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

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

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

The Company currently does not have a formal policy on payment of dividends. Any final dividends paid by the Company shall be approved by an ordinary resolution of the shareholders at a general meeting. The Board may, without the approval of shareholders, also declare an interim dividend. The Company will not be declaring any dividend for FY2015 to preserve cash for operating activities and for capital expenditure requirements.

DEALINGS IN SECURITIES
(Rule 1207(19) of the Listing Manual)

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

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

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

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

MATERIAL CONTRACTS

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

INTERESTED PERSON TRANSACTIONS

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

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

DIRECTORS' **STATEMENT**

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2015 and the statement of financial position of the Company as at 31 December 2015.

1. Opinion of the directors

In the opinion of the directors,

(i) in view of the departure of certain key finance personnel of the Chinese operations and a key management personnel, the directors were unable to express whether the consolidated financial statements of the Group and the statement of financial position of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group and 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 the premise that the following initiatives that they have taken will be successful:

- getting investors to inject capital funds into the Group;
- streamlining and generating positive cash flows from the Group's remaining operations; and
- negotiating and securing banking facilities and re-financing package with other banks in the PRC.

2. Directors

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

Executive director
Wang Sen

Non-executive director
Tommy Lybianto

Independent non-executive directors
Chew Heng Ching
Soh Beng Tiong

3. Arrangements to enable directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects were, or one of the objects was, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, except as disclosed in paragraph 4 below.

4. Directors' interests in shares or debentures

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

Name of directors and company in which interests are held	Direct interest		Deemed interest	
	At beginning of year	At end of year	At beginning of year	At end of year
Sinopipe Holdings Limited				
(No. of ordinary shares)				
Wang Sen	–	–	47,500,000	47,500,000
Chew Heng Ching	300,000	300,000	–	–
Tommy Lybianto	–	–	29,401,660	29,401,660

The directors' interests as at 21 January 2016 in the shares or debentures of the Company have not changed from those disclosed as at 31 December 2015.

5. Share options

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

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

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

6. Audit Committee

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

Chew Heng Ching
Soh Beng Tiong
Tommy Lybianto

The Audit Committee has convened 7 meetings during the financial year with key management. The Audit Committee has also met with the external auditors of the Company without the presence of management in respect of the financial year ended 31 December 2015.

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

(i) Review of the audit plan and results of the external audit and the independence and objectivity of the external auditors, including the review of the extent of non-audit services provided by the external auditors to the Group, if any;

6. Audit Committee (Continued)

(ii) Review of the audit plans of the internal auditors of the Group and their evaluation of the adequacy of the Group's system of internal accounting controls;

(iii) Review of the Group's annual financial statements and the external auditors' report on the annual financial statements of the Group and of the Company before their submission to the Board of Directors;

(iv) Review of the quarterly, half-yearly and annual announcements, the results of the Group and the financial position of the Group and of the Company;

(v) Review of the adequacy of the Group's risk management processes;

(vi) Review of the Group's compliance with legal requirements and regulations, including the related compliance policies and programmes and reports received from regulators, if any;

(vii) Review of interested person transactions in accordance with the listing rules of the Singapore Exchange Securities Trading Limited;

(viii) Nomination of external auditors and approval of their compensation; and

(ix) Submission of report of actions and minutes of the Audit Committee to the Board of Directors with any recommendations as the Audit Committee deems appropriate.

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

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

On behalf of the directors

Wang Sen
Director

Tommy Lybianto
Director

Singapore

22 August 2016

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of Sinopipe Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise the statements of financial position of the Group and of the Company as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, changes in equity and cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information as set out on page 26 to page 90.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with Singapore Standards on Auditing. Because of the matters described in the Basis for Disclaimer of Opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

1. <u>Opening balances</u>

   We expressed a qualified opinion in our independent auditors' report dated 20 May 2015 in respect of the financial statements for the financial year ended 31 December 2014 on the following matters, which remain unresolved in the current financial year ended 31 December 2015:

   - Nature, occurrence and completeness of certain unrecorded sale and purchase transactions during the financial year ended 31 December 2013;

   - Appropriateness of the amounts due from a contract customer, included in trade and other receivables as at 31 December 2014, of carrying amount of RMB 115,158,000 for which full impairment has been made during the financial year then ended, in the absence of documentary evidence to support the stage of completion of the corresponding construction contract, the validity of the related cumulative progress billings recorded; recoverability of the corresponding contract costs incurred till 20 May 2015 and the completeness of any expected loss; and

   - Resulting tax implications arising from the aforementioned matters.

   Consequently, we are unable to determine whether the opening balances as at 1 January 2015 are fairly stated. As the opening balances as at 1 January 2015 enter into the determination of the Group's results and cash flows for the financial year ended 31 December 2015, we are unable to determine whether any adjustments are necessary in respect of the financial statements for the financial year ended 31 December 2015, nor the completeness, appropriateness and comparability of the corresponding figures and the related disclosures in the financial statements for the financial year ended 31 December 2015.

To the members of Sinopipe Holdings Limited

Basis for Disclaimer of Opinion (Continued)

Current financial year

2. Limitation of scope

On 29 February 2016, the Company announced its full year results for the financial year ended 31 December 2015 ("FY2015"), which were not audited nor reviewed by us, as we were still in the process of auditing the financial statements.

On 30 April 2016, the Company announced that the Xiamen International Bank and Bank of Communications in the People's Republic of China ("PRC") declined to roll over bank loans amounting to RMB 17.5 million and RMB 13 million respectively to one of the subsidiaries of the Group, Fujian Aton Advanced Material Science and Technology Co., Ltd ("Fujian Atontech"), resulting in Fujian Atontech's default of US$831,795 payable to China Construction Bank Fuqing Bank and of RMB 11,215,936 payable to China Everbright Bank Fuzhou Branch due in April 2016.

On 30 June 2016, the Company announced that except for the operations of the Company's principal subsidiaries in Fujian, being Fujian Atontech, Sichuan, being Sichuan Aton Plastics Co., Ltd, and Guizhou, being Sinopipe Guizhou Co., Ltd, all other production plants have ceased operations. Some creditors have also taken action against the subsidiaries of the Company due to default payments.

Based on the latest announcement dated 29 July 2016, the Group continued to work on streamlining the operations of the aforementioned operating subsidiaries to stay lean and viable, and to approach potential investors to inject capital fund to the subsidiaries to meet the operational needs.

We encountered limitation in the scope of our audit following the departure of certain key finance personnel of the Chinese operations and a key management personnel and aforementioned cessation of certain operations, which resulted in alleged loss of relevant accounting records, as well as the inability of management to address our audit queries with supportable explanations and information.

In the absence of further information and alternative procedures, we were, hence, unable to obtain sufficient appropriate audit evidence necessary for us to ascertain the appropriateness of the carrying amounts of various financial statements items, including, and not limited to, cash and bank balances, property, plant and equipment, contract work in progress, provisions as of 31 December 2015; the appropriateness of the amounts of revenue, purchases and expenses recorded during the financial year then ended; as well as the completeness and appropriateness of the disclosures made in the financial statements. Accordingly, we were also unable to determine the consequential tax impact arising from any necessary adjustments and the appropriateness and completeness of disclosures made in the financial statements for the financial year then ended.

Consequently, as of the date of this report, we are unable to determine whether any adjustments or amendments are necessary in respect of the financial statements for the financial year ended 31 December 2015.

Basis for Disclaimer of Opinion (Continued)

Current financial year (Continued)

3. Going concern

As at 31 December 2015, the Group and the Company were in net current liability position of RMB 899,766,000 and RMB 59,800,000 respectively. The Group also incurred net loss of RMB 112,146,000 for the financial year then ended. Subsequent to the reporting date, as mentioned earlier, certain banks have withdrawn their credit facilities from the Group, certain creditors have taken action against the Group to demand for default payments, and certain operations have ceased. These conditions indicate the existence of significant doubt over the Group's and the Company's abilities to continue as going concern. Notwithstanding these conditions, the Group's and the Company's financial statements have been prepared on a going concern basis which is dependent on management's success in:

- getting investors to inject capital funds into the Group;
- streamlining and generating positive cash flows from the Group's remaining operations; and
- negotiating and securing banking facilities and re-financing package with other banks in the PRC.

As of the date of the auditors' report, we are unable to obtain from management reasonable and supportable bases of their aforementioned assumptions, which is necessary for us to assess the appropriateness of their use of the going concern assumption in the preparation of the Group's and Company's financial statements.

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

Disclaimer of Opinion

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

Report on Other Legal and Regulatory Requirements

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

MAZARS LLP
Public Accountants and
Chartered Accountants
Singapore

22 August 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS **AND OTHER COMPREHENSIVE INCOME**

For the financial year ended 31 December 2015

	Note	2015	2014
		RMB'000	**RMB'000**
Revenue	4	733,253	797,500
Cost of sales		(616,007)	(688,657)
Gross profit		117,246	108,843
Other income	5	24,811	17,907
Selling and distribution expenses		(52,542)	(70,577)
Administrative expenses		(55,670)	(70,758)
Other expenses	6	(33,462)	(159,400)
Finance costs	7	(109,706)	(106,560)
Share of losses of associates	15	(1,773)	(1,533)
Loss before income tax	8	(111,096)	(282,078)
Income tax expense	9	(1,050)	(2,340)
Loss for the year representing total comprehensive loss for the year		(112,146)	(284,418)
Loss representing total comprehensive loss attributable to:			
Owners of the Company		(107,496)	(280,245)
Non-controlling interests		(4,650)	(4,173)
		(112,146)	(284,418)
Loss per share attributable to owners of the Company (RMB cents)			
Basic	10	(37.38)	(97.44)
Diluted	10	(37.38)	(87.14)

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

STATEMENTS OF
FINANCIAL POSITION

As at 31 December 2015

	Note	Group 2015 RMB'000	Group 2014 RMB'000	Company 2015 RMB'000	Company 2014 RMB'000
ASSETS					
Non-current assets					
Land use rights	11	85,623	88,179	–	–
Property, plant and equipment	12	283,109	304,327	43	42
Goodwill	13	3,117	3,944	–	–
Investments in subsidiaries	14	–	–	38,129	38,129
Investments in associates	15	9,570	11,343	7,697	14,000
Deferred tax assets	16	–	–	–	–
Total non-current assets		381,419	407,793	45,869	52,171
Current assets					
Inventories	17	81,419	107,670	–	–
Other investment	18	20,000	–	–	–
Trade and other receivables	20	107,807	119,161	26,538	19,676
Prepayments	20	17,599	17,936	–	38
Cash and bank balances	21	209,648	246,081	138	95
Total current assets		436,473	490,848	26,676	19,809
Total assets		817,892	898,641	72,545	71,980
EQUITY AND LIABILITIES					
Equity					
Share capital	22	313,344	313,344	313,344	313,344
Other reserves	23	(12,063)	(12,063)	5,316	5,316
Accumulated losses		(913,335)	(805,839)	(332,591)	(316,297)
Equity attributable to owners of the Company		(612,054)	(504,558)	(13,931)	2,363
Non-controlling interests		2,231	6,881	–	–
(Capital deficiency)/total equity		(609,823)	(497,677)	(13,931)	2,363
Non-current liabilities					
Borrowings	24	71,578	126,967	–	–
Deferred capital grants	25	12,586	13,097	–	–
Deferred tax liabilities	16	7,312	7,396	–	–
Total non-current liabilities		91,476	147,460	–	–
Current liabilities					
Trade and other payables	26	768,976	698,695	86,476	34,920
Borrowings	24	559,394	544,281	–	34,697
Deferred capital grants	25	510	510	–	–
Income tax liabilities		7,359	5,372	–	–
Total current liabilities		1,336,239	1,248,858	86,476	69,617
Total liabilities		1,427,715	1,396,318	86,476	69,617
Total equity and liabilities		817,892	898,641	72,545	71,980

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

CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY

For the financial year ended 31 December 2015

		Attributable to owners of the Company					
	Note	Share capital	Other reserves	Accumulated losses	Total	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2014		313,344	(12,007)	(525,594)	(224,257)	11,054	(213,203)
Total comprehensive loss for the year		–	–	(280,245)	(280,245)	(4,173)	(284,418)
Disposal of a subsidiary	14		(56)	–	(56)	–	(56)
Balance at 31 December 2014		313,344	(12,063)	(805,839)	(504,558)	6,881	(497,677)
Balance at 1 January 2015		313,344	(12,063)	(805,839)	(504,558)	6,881	(497,677)
Total comprehensive loss for the year		–	–	(107,496)	(107,496)	(4,650)	(112,146)
Balance at 31 December 2015		313,344	(12,063)	(913,335)	(612,054)	2,231	(609,823)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2015

	Note	2015	2014
		RMB'000	RMB'000
Operating activities			
Loss before income tax		(111,096)	(282,078)
Adjustments for:			
Amortisation of deferred capital grants		(511)	(480)
Amortisation of deferred income relating to term loan from a third party		–	(46)
Impairment loss on goodwill	13	827	–
Amortisation of land use rights	11	2,556	1,976
Depreciation of property, plant and equipment	12	30,506	33,703
(Gain)/loss on disposal of held-for-trading investments		–	(6)
Impairment loss on doubtful trade receivables, net	20	4,708	19,831
Impairment loss on contract receivables		–	115,158
Impairment loss on property, plant and equipment	12	388	7,033
Interest expense		109,706	106,560
Interest income		(5,990)	(3,844)
Dividend income		–	(20)
Loss on deconsolidation of subsidiary		–	316
Loss on disposal of property, plant and equipment		651	803
Loss on disposal of an associate		–	914
Share of loss of associates		1,773	1,533
Write-off of inventories		1,243	6,304
Write down of inventories	17	2,505	219
Operating cash flows before movements in working capital		37,266	7,876
Movements in working capital			
Inventories		22,503	(4,769)
Trade and other receivables		6,646	69,241
Prepayments		337	6,301
Trade and other payables		50,908	23,055
Cash generated from operations		117,660	101,704
Income taxes paid		(93)	(850)
Net cash generated from operating activities		117,567	100,854
Investing activities			
Acquisition of held-for-trading investments		(20,000)	(50)
Acquisition of land use rights	11	–	(16,913)
Acquisition of property, plant and equipment	12	(12,490)	(28,769)
Grant received on acquisition of property, plant and equipment	12	–	2,000
Proceeds from disposal of held-for-trading investments		–	556
Proceeds from disposal of property, plant and equipment		2,163	373
Income received from held-for-trading investments		–	20
Interest received		5,990	3,844
Net cash outflow from deconsolidation of a subsidiary	14	–	(394)
Net cash used in investing activities		(24,337)	(39,333)

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

CONSOLIDATED STATEMENT OF
CASH FLOWS

For the financial year ended 31 December 2015

	Note	2015	2014
		RMB'000	RMB'000
Financing activities			
Interest paid		(89,387)	(105,220)
Proceeds from borrowings		594,235	560,806
Repayments of borrowings		(599,814)	(531,255)
Repayments of convertible loan		(34,697)	–
Pledged bank balances		37,512	(60,535)
Net cash used in financing activities		(92,151)	(136,204)
Net increase/(decrease) in cash and cash equivalents		1,079	(74,683)
Cash and cash equivalents at beginning of year		18,523	93,206
Cash and cash equivalents at end of year	21	19,602	18,523

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

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

1. General

1.1 Corporate information

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

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

The financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2015 and the statement of financial position of the Company as at 31 December 2015 were authorised for issue by the Board of Directors on 22 August 2016.

1.2 Going concern

As at 31 December 2015, the Group and the Company were in net current liability position of RMB 899,766,000 (2014: RMB 758,010,000) and RMB 59,800,000 (2014: RMB 49,808,000) respectively. The Group also incurred net loss of RMB 112,146,000 (2014: RMB 284,418,000) for the financial year then ended. Subsequent to the reporting date, certain banks have withdrawn their credit facilities from the Group, certain creditors have taken action against the Group to demand for default payments, and certain operations have ceased. These conditions indicate the existence of significant doubt on the Group's and the Company's abilities to continue as going concern. Notwithstanding these conditions, the directors are of the view that the going concern assumption is appropriate on the premise that the following initiatives that they have taken will be successful:

- getting investors to inject capital funds into the Group;
- streamlining and generating positive cash flows from the Group's remaining operations; and
- negotiating and securing banking facilities and re-financing package with other banks in the PRC.

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

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2015 and the statement of financial position of the Company as at 31 December 2015 have been drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards ("FRS") including related Interpretations of FRS ("INT FRS") and are prepared on the historical cost basis, except as disclosed in the accounting policies below.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

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

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

FRS and INT FRS issued but not yet effective

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

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

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

The Group and the Company have not early adopted any of the above new/revised standards, interpretations and amendments to the existing standards in the financial year ended 31 December 2015. Management is in the process of making an assessment of their impact and is not yet in a position to state whether any substantial changes to the Group's and the Company's significant accounting policies and presentation of the financial information will result.

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation

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

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

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

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

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

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

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

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

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

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

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

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

2.3 Business combinations

Business combinations from 1 January 2010

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

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

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

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

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

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

2. Summary of significant accounting policies (Continued)

2.3 Business combinations (Continued)

Business combinations from 1 January 2010 (Continued)

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

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

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

Business combinations before 1 January 2010

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

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

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

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

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

2.4 Revenue recognition

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

2. Summary of significant accounting policies (Continued)

2.4 Revenue recognition (Continued)

Sale of goods

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

Construction contracts

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

Interest income

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

Royalty income

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

Rental income

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

2.5 Borrowing costs

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

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

2.6 Defined contribution plans

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

2. Summary of significant accounting policies (Continued)

2.6 Defined contribution plans (Continued)

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

2.7 Employee leave entitlements

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

2.8 Income tax

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

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

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

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

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

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

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

2. Summary of significant accounting policies (Continued)

2.8 Income tax (Continued)

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

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

2.9 Dividends

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

2.10 Foreign currency transactions and translation

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

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

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

2.11 Land use rights

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

2. Summary of significant accounting policies (Continued)

2.12 Property, plant and equipment

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

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

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

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

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

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

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

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

2.13 Goodwill on consolidation

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

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

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

2. Summary of significant accounting policies (Continued)

2.13 Goodwill on consolidation (Continued)

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

2.14 Associate

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

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

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

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

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

2.15 Impairment of tangible and intangible assets excluding goodwill

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

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

2. Summary of significant accounting policies (Continued)

2.15 Impairment of tangible and intangible assets excluding goodwill (Continued)

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

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

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

2.16 Financial instruments

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

Effective interest method

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

Financial assets

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

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

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

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

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

2. Summary of significant accounting policies (Continued)

2.16 Financial instruments (Continued)

Financial assets (Continued)

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

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

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

Loans and receivables

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

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

Impairment of financial assets

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

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

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

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

2. Summary of significant accounting policies (Continued)

2.16 Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

Trade and other payables

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

Borrowings

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

2. Summary of significant accounting policies (Continued)

2.16 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities (Continued)

Convertible loans

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

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

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

Derecognition of financial liabilities

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

2.17 Inventories

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

2.18 Construction contracts

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

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

2. Summary of significant accounting policies (Continued)

2.18 Construction contracts (Continued)

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

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

2.19 Cash and bank balances

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

2.20 Leases

<u>**Operating leases**</u>

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

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

2.21 Research costs

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

2.22 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

  (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

  (ii) the amount of the obligation cannot be measured with sufficient reliability.

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

2. Summary of significant accounting policies (Continued)

2.22 Contingencies (Continued)

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

2.23 Government grants

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

2.24 Segment reporting

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

3. Critical accounting judgements and key sources of estimation uncertainty

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

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

Going concern basis of preparation

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

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

The Group held 47.73% of the voting rights in the associate, Fujian Industrial Plastic Technology Research and Development Co., Ltd. ("Fujian Industrial Plastic") as of 31 December 2015. In consideration of the relatively significant voting rights it holds in the investee entity, the Group considered both FRS 28 *Investments in Associates and Joint Ventures* and FRS 110 *Consolidated Financial Statements* to determine whether it has control or significant influence over Fujian Industrial Plastic. The Group considered factors, including but not limited to, the size of its holding of voting rights relative to the size and dispersion of holdings of the other vote holders, its representation at shareholders' and directors' meetings and the voting patterns, the composition of key management personnel in Fujian Industrial Plastic, and contractual arrangements. Consequently, the Group assessed that it has significant influence over Fujian Industrial Plastic and classified the investee entity as an associate.

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

3.2 Key sources of estimation uncertainty

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

Depreciation of property, plant and equipment

The Group depreciates property, plant and equipment over their estimated useful lives after taking into account of their estimated residual values. The estimated useful life reflects management's estimate of the period that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual value reflects management's estimated amount that the Group would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal, as if the asset were already of the age and in the condition expected at the end of its useful life. Changes in the expected level of usage and technological developments could affect the useful lives and the residual values of these assets which could then consequentially impact future depreciation charges. The carrying amounts of the Group and the Company's property, plant and equipment as at 31 December 2015 were RMB 283,109,000 (2014: RMB 304,327,000) and RMB 43,000 (2014: RMB 42,000) respectively.

Impairment of property, plant and equipment and land use rights

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

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

The carrying amounts of the Group's land use rights and property, plant and equipment as at 31 December 2015 were RMB 85,623,000 (2014: RMB 88,179,000) and RMB 283,109,000 (2014: RMB 304,327,000) respectively.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units ("CGU") to which goodwill has been allocated. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value. The carrying amount of the Group's goodwill as at 31 December 2015 was RMB 3,117,000 (2014: RMB 3,944,000).

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

3.2 Key sources of estimation uncertainty (Continued)

Impairment of investments in subsidiaries and associates

At the end of each financial year, an assessment is made on whether the Company's investments in subsidiaries and associates and the Group's investments in associates are impaired. Management's assessment is based on the estimation of the value-in-use of the cash-generating unit by forecasting the expected future cash flows for a period up to five years, using a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of the Company's investments in subsidiaries and associates and the Group's investments in associates as at 31 December 2015 were RMB 38,129,000 (2014: RMB 38,129,000), RMB 7,697,000 (2014: RMB 14,000,000) and RMB 9,570,000 (2014: RMB 11,343,000), respectively.

Inventories valuation method

Inventories are valued at the lower of cost and net realisable value. Management reviews the Group's inventories level in order to identify slow-moving and obsolete merchandise and identifies items of inventories which have a market price, being the merchandise's selling price quoted from the market of similar items that is lower than its carrying amount. Management then estimates the amount of inventories loss as an allowance on inventories. Changes in demand levels, technological developments and pricing competition could affect the saleability and values of the inventories which could then consequentially impact the Group's results, cash flows and financial position. The carrying amount of the Group's inventories as at 31 December 2015 was RMB 81,419,000 (2014: RMB 107,670,000).

Construction contracts

The Group recognises contract revenue by reference to the stage of completion of the contract activity at the end of each financial year, when the outcome of a construction contracts can be estimated reliably. The stage of completion is measured by reference to survey of work performed. Significant assumptions are required to estimate the work performed. In making these estimates, management has relied on the experience and knowledge of independent surveyors and architects. The carrying amount of amounts due from contract customers as at 31 December 2015 was RMB 35,175,000 (2014: RMB 48,001,000). During the year, the Group has provided for an impairment of contract receivables amounting to RMB Nil (2014: RMB 115,158,000).

Allowance for trade and other receivables

The allowance for doubtful debts of the Group is based on the ageing analysis and management's continuous evaluation of the recoverability of the outstanding receivables. In assessing the ultimate realisation of these receivables, management considers, among other factors, the creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The carrying amounts of the Group's and the Company's trade and other receivables as at 31 December 2015 were RMB 107,807,000 (2014: RMB 119,161,000) and RMB 19,740,000 (2014: RMB 19,676,000), respectively.

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

3.2 Key sources of estimation uncertainty (Continued)

Provision for income taxes

The Group has exposure to income taxes in different jurisdictions of which a portion of these taxes arose from certain transactions and computations for which ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities of expected tax issues based on its best estimates of the likely taxes due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the current tax and deferred tax positions in the period in which such determination is made. The carrying amounts of the Group's current tax payable, deferred tax liabilities and deferred tax assets as at 31 December 2015 were RMB 7,359,000 (2014: RMB 5,372,000), RMB 7,312,000 (2014: RMB 7,396,000) and RMB Nil (2014: RMB Nil), respectively.

4. Revenue

	Group	
	2015	**2014**
	RMB'000	**RMB'000**
Sale of goods	720,427	788,650
Contract revenue	12,826	8,850
	733,253	797,500

5. Other income

	Group	
	2015	**2014**
	RMB'000	**RMB'000**
Amortisation of deferred capital grants	511	480
Compensation income	7,654	430
Extinguishment of trade and other payables	2,610	1,642
Gain on sale of raw materials and by-products	–	879
Gain on disposal of held-for-trading investments (Note 18)	–	6
Government grants and subsidies	2,160	3,276
Interest income	5,990	3,844
Rental income	108	92
Write-back of receivables	5,692	7,164
Others	86	94
	24,811	17,907

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

Government grants and subsidies received by the Group are given by the local municipal government to encourage companies to enhance business development, human capital development, productivity improvement and research and development.

6. Other expenses

	Group	
	2015	2014
	RMB'000	RMB'000
Impairment loss on doubtful trade receivables	10,400	19,831
Impairment loss on contract receivables	–	115,158
Impairment loss on goodwill	827	–
Impairment loss on property, plant and equipment	388	7,033
Inventories written-off	1,243	6,304
Loss on disposal of property, plant and equipment	651	803
Loss on sale of raw materials and by-products	1,683	412
Loss on deconsolidation of a subsidiary	–	316
Loss on disposal of an associate	–	914
Research and development costs	1,786	3,598
Other receivables written-off	809	4,797
Provision of inventories, net	2,505	219
Operating costs expensed-off	13,003	–
Others	167	15
	33,462	159,400

7. Finance costs

	Group	
	2015	2014
	RMB'000	RMB'000
Interest expenses on convertible loans	–	1,294
Imputed interest on term loan from a third party	–	46
Interest expenses on borrowings	109,706	105,220
	109,706	106,560

8. Loss before income tax

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

	Group	
	2015	**2014**
	RMB'000	**RMB'000**
Cost of inventories recognised as expense	513,293	597,918
Foreign exchange loss net	4,248	294
Operating lease expenses	3,074	3,633
Audit fees paid/payable to:		
- Auditors of the Company	825	877
- Other auditors	933	1,113
Staff costs, including key management personnel remuneration (Note 29)		
- Salaries, wages and bonuses	77,891	89,976
- Contributions to defined contribution plans	5,631	4,569
- Other short-term benefits	15,167	10,734

9. Income tax (credit)/expense

	Group	
	2015	**2014**
	RMB'000	**RMB'000**
Current income tax		
- Current year	49	1,458
- Under provision in prior years	1,085	592
	1,134	2,050
Deferred income tax		
- Current year	(84)	290
	1,050	2,340

Domestic income tax is calculated at 17% (2014: 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

9. Income tax (credit)/expense (Continued)

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

	Group	
	2015	**2014**
	RMB'000	**RMB'000**
Loss before income tax	(111,096)	(282,078)
Income tax at statutory rates	(18,482)	(45,540)
Add/(Less):		
Tax effect on non-deductible expenses	6,015	7,163
Tax effect on non-taxable income	(324)	(779)
Under provision of current tax in prior years	1,085	592
Deferred tax assets not recognised	12,756	41,230
Others	–	(326)
Total income tax expense	1,050	2,340

Singapore

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

British Virgin Islands

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

People's Republic of China

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

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

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

The other PRC subsidiaries are subject to income tax at a rate of 25% (2014: 25%).

10. Loss per share

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

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

	Group	
	2015	**2014**
	RMB'000	**RMB'000**
Net loss attributable to equity holders	(107,496)	(280,245)
Interest on convertible loan	–	1,294
Diluted earnings	(107,496)	(278,951)
Weighted average number of equity shares	**'000**	**'000**
Basic	287,595	287,595
Dilutive convertible loan effect	–	32,500
Diluted	287,595	320,095

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

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

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

11. Land use rights

	Group 2015	Group 2014
	RMB'000	RMB'000
Cost		
Balance at 1 January	100,476	83,563
Additions	–	16,913
Balance at 31 December	100,476	100,476
Accumulated amortisation		
Balance at 1 January	12,297	10,321
Amortisation	2,556	1,976
Balance at 31 December	14,853	12,297
Carrying amount		
Balance at 31 December	85,623	88,179

The Group has land use rights over various plots of state-owned land in the PRC where the Group's production, office, storage and dormitory facilities reside. The land use rights are not transferable and have remaining tenures of between 29 and 49 (2014: 30 and 50) years.

The Group's land use rights with an aggregate carrying amount of RMB 71,046,000 (2014: RMB 66,494,000) were mortgaged as securities for certain borrowings (Note 24).

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

12. Property, plant and equipment

Group	Buildings	Plant and machinery	Office and electronic equipment	Motor vehicles	Construction-in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost						
Balance at 1 January 2014	219,130	379,331	18,997	11,391	15,189	644,038
Additions	39	14,967	1,739	505	11,519	28,769
Disposals	(136)	(4,671)	(380)	(1,311)	–	(6,498)
Transfers	2,607	7,747	27	324	(10,705)	–
Balance at 31 December 2014	221,640	397,374	20,383	10,909	16,003	666,309
Balance at 1 January 2015	221,640	397,374	20,383	10,909	16,003	666,309
Additions	375	5,590	185	940	5,400	12,490
Disposals	–	(3,680)	(74)	(1,219)	(672)	(5,645)
Transfers	2,283	3,634	–	–	(5,917)	–
Balance at 31 December 2015	224,298	402,918	20,494	10,630	14,814	673,154
Accumulated depreciation and impairment losses						
Balance at 1 January 2014	45,970	256,613	15,107	8,522	356	326,568
Depreciation	9,722	21,467	1,481	1,033	–	33,703
Impairment losses	2,021	292	–	–	4,720	7,033
Disposals	(13)	(3,811)	(334)	(1,164)	–	(5,322)
Balance at 31 December 2014	57,700	274,561	16,254	8,391	5,076	361,982
Balance at 1 January 2015	57,700	274,561	16,254	8,391	5,076	361,982
Depreciation	9,403	19,757	566	780	–	30,506
Impairment losses	–	388	–	–	–	388
Disposals	–	(1,383)	(65)	(1,027)	(356)	(2,831)
Balance at 31 December 2015	67,103	293,323	16,755	8,144	4,720	390,045
Carrying amount						
Balance at 31 December 2014	163,940	122,813	4,129	2,518	10,927	304,327
Balance at 31 December 2015	157,195	109,595	3,739	2,486	10,094	283,109

12. Property, plant and equipment (Continued)

Company	Office and electronic equipment
	RMB'000
Cost	
Balance at 1 January 2014	80
Additions	9
Balance at 31 December 2014	89
Additions	15
Written-off	(28)
Balance at 31 December 2015	76
Accumulated depreciation	
Balance at 1 January 2014	36
Depreciation	11
Balance at 31 December 2014	47
Depreciation	11
Written-off	(25)
Balance at 31 December 2015	33
Carrying amount	
Balance at 31 December 2014	42
Balance at 31 December 2015	43

The Group's buildings and plant and machinery with an aggregate carrying amount of RMB 108,661,000 (2014: RMB 105,621,000) and RMB 1,533,000 (2014: RMB 1,884,000), respectively, were mortgaged or pledged as securities for certain borrowings (Note 24).

During the financial year ended 31 December 2015, the Group acquired property, plant and equipment with an aggregate value of RMB 12,490,000 (2014: RMB 28,769,000) of which RMB 12,490,000 (2014: RMB 26,769,000) was acquired by means of cash payments and RMB Nil (2014: RMB 2,000,000) was financed through government grant.

Due to the persistent losses incurred by various PRC subsidiaries, the management has carried out a review of the recoverable amount of the properties during the financial year ended 31 December 2014 and 2015. Accordingly, impairment losses amounting to RMB 388,000 (2014: RMB 7,033,000) (Note 6) were recognised for those properties with value-in-use less than their respective recoverable amounts. The recoverable amounts of the relevant assets have either been determined on the basis of higher of fair value less cost of disposal which is based on the market selling price of similar assets or value-in-use. The recoverable amount of the certain product lines was based on its value-in-use and pre-tax discount rate used was 17.14% (2014: 12.2%).

13. Goodwill

	Group	
	2015	2014
	RMB'000	RMB'000
Cost		
Balance at 1 January and 31 December	3,944	3,944
Accumulated impairment		
Balance at 1 January	–	–
Impairment loss	827	–
Balance at 31 December	827	–
Carrying amount		
Balance at 31 December	3,117	3,944

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

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

During the year, the Group carried out a review of the recoverable amount of goodwill. The recoverable amount of the cash-generating unit is determined from value-in-use calculation using cash flow projections from financial budget approved by management covering five-year period. The pre-tax discount rate applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flow projections beyond the five-year period are as follows:

1. The growth rate is 11.2%, 6.3%, 6.0%, 6.1%, 6.3% and 0.0% for year 2016, 2017, 2018, 2019, 2020, 2021 and beyond (2014: 28.0%, 10.0%, 10.0%, 6.0%, 6.0% and 0.0% for year of 2015, 2016, 2017, 2018,2019 and 2020 and beyond) respectively.

2. The discount rate is 17.1% p.a. (2014: 12.2%) which is pre-tax discount rate applied to the pre-tax cash flows projections.

3. Gross margin is 14.4% (2014: 13.6%).

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

14. Investments in subsidiaries

	Company	
	2015	**2014**
	RMB'000	**RMB'000**
Unquoted equity shares, at cost	321,458	413,694
Add: Additions (Note (b))	–	39
Less: Deconsolidation during the year (Note (c))	–	(86,790)
Less: Disposal during the year (Note (a))	–	(5,485)
	321,458	321,458
Less: Impairment loss		
Balance at 1 January	(283,329)	(225,000)
Additions	–	(58,329)
Balance at 31 December	(283,329)	(283,329)
	38,129	38,129

(a) On 18 September 2014, the Company disposed 51% of its equity interest in Sinopipe Guizhou Co., Ltd., previously a wholly-owned subsidiary, to Fujian Aton Advanced Materials Science and Technology Co., Ltd. with a consideration amounted to RMB 5,485,000. There is no change in percentage of effective equity interest held by the Group for the year ended 31 December 2014 and 2015.

(b) On 28 November 2014, the Company has incorporated a wholly-owned subsidiary, Atontech (Hong Kong) Co. Limited (亞通管業(香港)有限公司) in Hong Kong. The issued and paid-up share capital of the subsidiary upon incorporation was RMB 39,000 (HKD 50,000). There is no material impact on the consolidated financial statements for the year ended 31 December 2014 and 2015.

(c) Deconsolidation of a subsidiary

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

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

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

14. Investments in subsidiaries (Continued)

The details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Principal place of business	Percentage of effective equity interest held by the Group	
			2015	2014
			%	%
Held by the Company				
Best Connect Resources Limited (1)	Investment holding	British Virgin Islands	100.00	100.00
One Sea Development Ltd. (1)	Investment holding	British Virgin Islands	100.00	100.00
Eagle Super Associates Limited (1)	Investment holding	British Virgin Islands	100.00	100.00
Fujian Aton Advanced Materials Science and Technology Co., Ltd. (3)	Production and sale of plastic pipes and fittings	People's Republic of China	68.52	68.52
Sinopipe Guizhou Co., Ltd. (9)	Production and sale of plastic pipes and fittings	People's Republic of China	49.00	49.00
Atontech (Hong Kong) Co. Limited (10)	Trading and distribution of plastic pipes and fittings	Hong Kong	100.00	100.00
Held by/through subsidiaries				
Fujian Aton Advanced Materials Science and Technology Co., Ltd. (3)	Production and sale of plastic pipes and fittings	People's Republic of China	30.91	30.91
Yatong Plastic (Hubei) Co., Ltd.(4)	Production and sale of plastic pipes and fittings	People's Republic of China	99.60	99.60
Aton Plastics (Chongqing) Co., Ltd. (5)	Production and sale of plastic pipes and fittings	People's Republic of China	79.54	79.54
Yatong Plastic & Rubbers (Kaifeng) Co., Ltd. (6)	Production and sale of plastic pipes and fittings	People's Republic of China	99.57	99.57
Aton (Luoyang) Water Resources Development Co., Ltd. (7)	Production and sale of plastic pipes and fittings	People's Republic of China	99.43	99.43
Xiamen Honghao Pipes Co., Ltd. (8)	Production and sale of plastic pipes and fittings	People's Republic of China	54.91	54.91

14. Investments in subsidiaries (Continued)

Name of subsidiary	Principal activities	Principal place of business	Percentage of effective equity interest held by the Group	
			2015	2014
			%	%
Held by/through subsidiaries (Continued)				
Sichuan Aton Plastics Co., Ltd. (9)	Production and sale of plastic pipes and fittings	People's Republic of China	99.43	99.43
Sinopipe Guizhou Co., Ltd. (9)	Production and sale of plastic pipes and fittings	People's Republic of China	51.00	51.00
Inner Mongolia Aton Plastics Co., Ltd. (9)	Production and sale of plastic pipes and fittings	People's Republic of China	57.69	57.69
Xinjiang Aton Advanced Materials Science and Technology Co., Ltd. (9)	Production and sale of plastic pipes and fittings	People's Republic of China	99.43	99.43
Gansu Tenglong Watersaving Co., Ltd. (9)	Production and sale of plastic pipes and fittings	People's Republic of China	84.52	84.52
Beijing Aton Plastics Co., Ltd. (9)	Production and sale of plastic pipes and fittings	People's Republic of China	99.43	99.43
Atontech (Singapore) Pte. Ltd. (2)	Inactive	Singapore	99.43	99.43

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

(2) Audited by Mazars LLP

(3) Audited by Fujian Zhengyuan Certified Public Accountants Co., Ltd

(4) Audited by Xiantao Hongxinda Certified Public Accountants Partnership

(5) Audited by Chongqing Chengrui Certified Public Accountants

(6) Audited by Henan Province Songcheng Accountants Office Co., Ltd

(7) Audited by Luoyang Yedingxing Certified Public Accountants Partnership

(8) Audited by Xiamen Xinlongyuan Certified Public Accountants Co., Ltd.

(9) Audited by other Certified Public Accountants in the PRC

(10) Audited by Mazars CPA Limited

14. Investments in subsidiaries (Continued)

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

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

	Proportion of ownership interest held by NCI		Profit/(loss) allocated to NCI during the financial year		NCI share of accumulated profit/(loss) at the reporting date	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Subsidiaries	**%**	**%**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Xiamen Honghao Pipes Co., Ltd.	45.09	45.09	(701)	546	1,277	1,978
Inner Mongolia Aton Plastics Co., Ltd.	42.31	42.31	(2,294)	(3,653)	(7, 519)	(5,225)
Aton Plastics (Chongqing) Co., Ltd.	20.46	20.46	(401)	340	(10,537)	(10,136)
Gansu Tenglong Watersaving Co., Ltd	15.48	15.48	(1,211)	(1,204)	(4,355)	(3,144)

No dividend was declared in financial year 2015 and 2014.

There are no significant restrictions on the Group's ability to access or use the assets and settle the liabilities of the Group except for cash and bank balances held in the PRC of RMB 209,508,944 (2014: RMB 245,986,000) which are subject to local exchange control regulations which restrict the amount of currency to be exported other than through dividends.

14. Investments in subsidiaries (Continued)

Summarised financial information (before intercompany eliminations):

	Xiamen Honghao Pipes Co., Ltd.		Inner Mongolia Aton Plastics Co., Ltd.		Aton Plastics (Chongqing) Co., Ltd.		Gansu Tenglong Watersaving Co., Ltd	
	2015	2014	2015	2014	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets								
Non-current	6,120	6,593	13,457	14,479	8,944	9,438	1,251	3,078
Current	1,997	3,623	3,263	5,616	192,566	184,765	2,024	8,177
Liabilities								
Non-current	–	–	(3,533)	(3,846)	–	–	–	–
Current	(11,123)	(11,667)	(29,802)	(27,442)	(152,779)	(143,513)	(30,857)	(31,015)
Net assets/ (liabilities)	(3,006)	(1,451)	(16,615)	(11,193)	48,731	50,690	(27,582)	(19,760)
Revenue	6,176	22,405	4,180	5,351	52,823	53,610	8,969	20,296
Profit/(loss) after income tax	(1,555)	1,540	(5,422)	(8,849)	(1,959)	(1,698)	(7,822)	(8,028)
Total comprehensive income/(loss)	(1,555)	1,540	(5,422)	(8,849)	(1,959)	(1,698)	(7,822)	(8,028)
Net cash flow from/(used in) operations	376	336	1,699	2,488	(8,899)	27,924	(378)	1,796

15. Investments in associates

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Unquoted equity shares, at cost	16,400	17,314	14,000	14,000
Less: Disposal	–	(914)	–	–
Less: Impairment loss	–	–	(6,303)	–
Share of results	(6,830)	(5,057)	–	–
	9,570	11,343	7,697	14,000

15. Investments in associates (Continued)

The details of the associates are as follows:

Name of associate	Principal activities	Principal place of business	Percentage of effective equity interest held by the Group	
			2015	2014
			%	%
Held by the Company				
Yunnan Aton High Molecular Materials Technology Co., Ltd. ("Yunnan Aton") (1)	Production and sale of plastic pipes and fittings	People's Republic of China	35.00	35.00
Held by a subsidiary				
Fujian Industrial Plastic Technology Research and Development Co., Ltd. ("Fujian Industrial Plastic") (2)	Research and development and provision of technical consultancy services in plastic technology sector	People's Republic of China	47.73	47.73

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

(2) Audited by Fuzhou Hongyou Certified Public Accountants Limited.

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

	Yunnan Aton		Fujian Industrial Plastic	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Non-current	43,043	44,871	563	602
Current	8,956	15,109	5,003	5,174
Liabilities				
Current	(27,316)	(31,839)	(31)	(31)
Net assets	24,683	28,141	5,535	5,776
Revenue	7,484	17,135	1,402	1,790
(Loss)/profit for the year representing total comprehensive (loss)/profit	(5,188)	(4,275)	(210)	77
Group's share of associates' (loss)/profit for the year	(1,816)	(1,496)	43	(37)

16. Deferred tax

	Group 2015	Group 2014	Company 2015	Company 2014
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets	–	–	–	–
Deferred tax liabilities	(7,312)	(7,396)	–	–

Movements in deferred tax position are as follows:

	Group 2015	Group 2014	Company 2015	Company 2014
Balance at 1 January	(7,396)	(7,106)	–	(220)
(Charged)/credited to profit or loss	84	(290)	–	220
Balance at 31 December	(7,312)	(7,396)	–	–

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

Group	Allowances for inventories and trade receivables	Undistributed earnings of subsidiaries	Fair value adjustments on acquisition of a subsidiary	Convertible loans	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets					
Balance at 1 January 2014	616	–	–	–	616
Charged to profit or loss	(616)	–	–	–	(616)
Balance at 31 December 2014	–	–	–	–	–
Charged to profit or loss	–	–	–	–	–
Balance at 31 December 2015	–	–	–	–	–
Deferred tax liabilities					
Balance at 1 January 2014	–	(5,394)	(2,108)	(220)	(7,722)
Credited to profit or loss	–	–	106	220	326
Balance at 31 December 2014	–	(5,394)	(2,002)	–	(7,396)
Credited to profit or loss	–	–	84	–	84
Balance at 31 December 2015	–	(5,394)	(1,918)	–	(7,312)

16. Deferred tax (Continued)

Company	Convertible loans
	RMB'000
Deferred tax liabilities	
Balance at 1 January 2014	(220)
Credited to profit or loss	220
Balance at 31 December 2014	–
Credited to profit or loss	–
Balance at 31 December 2015	–

Unrecognised tax losses

The Group has tax losses of RMB 79,810,000 (2014: RMB 262,471,000) that are available for offset against future taxable profits of certain subsidiaries in which the losses arose, for which no deferred tax asset is recognised as the Group is able to control the timing of the reversal and it is probable that such differences will not be reversed in the foreseeable future. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation in which the loss-making subsidiaries operate.

Unrecognised temporary differences relating to investments in subsidiaries

Deferred tax liabilities of RMB 5,581,000 (2014: RMB 5,972,000) have not been recognised for taxes that would be payable on the distribution of the undistributed earnings of certain subsidiaries for the financial year ended 31 December 2015 as the Group is able to control the timing of the reversal and it is probable that such differences will not be reversed in the foreseeable future.

17. Inventories

	Group	
	2015	2014
	RMB'000	RMB'000
Raw materials	36,493	47,957
Consumables	7,667	11,182
Work in progress	4,980	4,333
Finished goods	59,998	70,779
	109,138	134,251
Allowance for write-down of inventories	(27,719)	(26,581)
	81,419	107,670

In 2015, inventories of RMB 513,293,000 (2014: RMB 597,918,000 were recognised as an expense during the year and included in cost of sales.

The inventories written-off as an expense amounts to RMB 1,243,000 (2014: RMB 6,304,000).

17. Inventories (Continued)

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

	Group	
	2015	2014
	RMB'000	RMB'000
Balance at 1 January	26,581	27,208
Allowance made	4,624	4,758
Write back	(2,119)	(4,539)
Allowance utilised	(1,367)	(846)
Balance at 31 December	27,719	26,581

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

18. Other investments

	Group	
	2015	2014
	RMB'000	RMB'000
Held to maturity investment, at amortised cost		
Balance at 1 January	–	–
Additions	20,000	–
Balance at 31 December	20,000	–

Investment classified as held-to-maturity of the Group with carrying amounts of RMB 20,000,000 at 31 December 2015 (2014: RMB Nil) have stated interest rate of 3.8% per annum (2014: Nil%) and mature in 6 months.The held to maturity investment is pledged as securities for borrowings.

Quoted equity security, at fair value		
Balance at 1 January	–	500
Additions	–	50
Less: disposal	–	(550)
Balance at 31 December	–	–
	20,000	–

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

19. Construction contracts

	Group	
	2015	2014
	RMB'000	RMB'000
Contract costs incurred to date	251,615	251,615
Recognised profits to date	84,550	84,550
	336,165	336,165
Less: progress billings	(185,832)	(173,006)
	150,333	163,159
Less: Impairment loss made on contract receivables	(115,158)	(115,158)
	35,175	48,001
Represented by:		
Amounts due from contract customers (Note 20)	35,175	48,001

The amounts due from contract customers are denominated in Renminbi.

There are no retention monies held by customers for contract work nor advances received from customers for contract work as at 31 December 2015 and 2014.

20. Trade and other receivables

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables				
- Third parties	103,169	130,304	–	–
- Associates	–	1	–	–
	103,169	130,305	–	–
Allowance for doubtful receivables	(69,614)	(88,747)	–	–
	33,555	41,558	–	–
Amounts due from contract customers (Note 19)	35,175	48,001	–	–
Amounts due from subsidiaries (non-trade)	–	–	26,494	19,613
Bills receivables	1,000	–	–	–
Advances to employees	–	27	–	–
Deposits	10,640	7,327	37	56
Value-added taxes receivable	11,117	13,937	–	–
Other receivables	16,320	8,311	7	7
	107,807	119,161	26,538	19,676

Trade receivables are non-interest bearing and are generally on 90 to 180 (2014: 90 to 180) days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

20. Trade and other receivables (Continued)

The Group's trade receivables with an aggregate carrying amount of RMB Nil (2014: RMB 46,357,000) were pledged as securities for certain borrowings (Note 24).

Amounts due from contract customers are recognised at the progress billings amounts which represent fair values on initial recognition and are subsequently measured at amortised cost.

Movements in allowance for doubtful receivables are as follows:

	Group	
	2015	2014
	RMB'000	RMB'000
Balance at 1 January	88,747	83,176
Allowance made	10,400	20,923
Write-back	(5,692)	(1,092)
Allowance utilised	(23,841)	(14,260)
Balance at 31 December	69,614	88,747

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

The bills receivables from banks are interest-free with a maturity of 6 months (2014: nil).

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

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

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Renminbi	107,763	119,025	26,343	19,545
Singapore dollar	44	63	195	131
United States dollar	–	73	–	–
	107,807	119,161	26,538	19,676

Prepayments

The prepayment of RMB 17.6 million (2014: 17.9 million) mainly represent prepayment for the purchase of property, plant and equipment and raw materials.

21. Cash and bank balances

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Cash balances	139	173	4	23
Bank balances	209,509	245,908	134	72
	209,648	246,081	138	95

The bank balances earn interest at floating rates based on daily bank deposit average effective interest rate of 0.15% (2014: 0.35%) per annum.

Bank balances amounted to RMB 183,698,000 (2014: RMB 221,169,000) were pledged to banks to secure banking facilities, including bills payables facilities, extended to the Group. In addition, bank balance amounted to RMB 6,348,000 (2014: RMB 6,389,000) was pledged to bank to secure banking facility of distributors.

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

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Renminbi	209,492	245,911	–	–
Hong Kong dollar	–	1	–	–
Singapore dollar	137	93	136	93
United States dollar	19	76	2	2
	209,648	246,081	138	95

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

	Group	
	2015	2014
	RMB'000	RMB'000
Cash and bank balances	209,648	246,081
Bank balances pledged	(190,046)	(227,558)
	19,602	18,523

22. Share capital

	Company			
	2015	2014	2015	2014
	Number ('000) of ordinary shares with no par value		RMB'000	RMB'000
Issued and paid up				
At beginning and end of year	287,595	287,595	313,344	313,344

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

23. Other reserves

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Restructuring reserve	(44,093)	(44,093)	–	–
Capital reserve	356	356	–	–
Equity component of convertible loans, net of tax	–	5,316	–	5,316
General reserve	5,316	–	5,316	–
Statutory surplus reserve	4,088	4,088	–	–
Statutory public welfare fund	16,729	16,729	–	–
Discretionary surplus reserve	3,311	3,311	–	–
Enterprise expansion reserve	2,230	2,230	–	–
	(12,063)	(12,063)	5,316	5,316

Restructuring reserve

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

Capital reserve

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

Equity component of convertible loans

This represents the residual amount of convertible loans after deducting the fair value of the liability component. This amount is presented net of transaction costs and deferred tax liability arising from the convertible loans. The balance was transferred to the general reserve on 30 January 2015 when the convertible loan was fully repaid.

23. Other reserves (Continued)

Statutory surplus reserve

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

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

Statutory public welfare fund

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

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

Discretionary surplus reserve

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

Enterprise expansion reserve

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

24. Borrowings

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
RMB bank loans	419,539	407,360	–	–
RMB loans from third parties	139,855	102,224	–	–
RMB convertible loans	–	34,697	–	34,697
	559,394	544,281	–	34,697
Non-current				
RMB bank loans	60,578	103,467	–	–
RMB loans from third parties	11,000	23,500	–	–
	71,578	126,967	–	–
	630,972	671,248	–	34,697

Bank loans

The bank loans are guaranteed or secured as follows:

(a) RMB 145,439,000 (2014: RMB 107,889,000) is guaranteed by a PRC subsidiary, Fujian Aton Advanced Materials Science and Technology Co., Ltd. ("Fujian Atontech");

(b) RMB 164,100,000 (2014: RMB 136,080,000) is guaranteed by Wang Sen, the Company's Non-Executive Chairman and is secured by land use rights and buildings with an aggregate carrying amount of RMB 31,929,000 (2014: RMB 35,946,000) and RMB 86,155,000 (2014: RMB 63,831,000), respectively;

(c) RMB 140,578,000 (2014: RMB 201,578,000) is secured by land use rights and buildings with an aggregate carrying amount of RMB 39,116,000 (2014: RMB 30,548,000) and RMB 22,506,000 (2014: RMB 41,790,000), respectively;

(d) RMB Nil (2014: RMB 35,280,000) is secured by trade receivables with an aggregate carrying amount of RMB Nil (2014: RMB 46,357,000);

(e) RMB 30,000,000 (2014: RMB 30,000,000) is secured by plant and machinery with an aggregate carrying amount of RMB 1,533,000 (2014: RMB 1,884,000), and is also guaranteed by Fujian Atontech; and

RMB 17,500,000 (2014: RMB 23,500,000) of the bank loans is unsecured.

The bank loans of RMB 480,117,000 (2014: RMB 510,827,000) bear effective interest rates ranging from 2.28% to 10.83% (2014: 5.60% to 10.20%) per annum and have remaining maturity of between 1 and 20 (2014: 1 and 27) months from the end of the financial year.

24. Borrowings (Continued)

Convertible loans

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

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

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

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

(ii) In the event that the subscribers succeed in referring and assisting the Group in procuring contracts worth at least RMB 500 million each for (1) the sale and distribution of plastic pipes and pipe fittings, and/or (2) plastic piping systems and networks projects in the PRC any time before maturity, the subscribers are thereafter entitled to convert the entire convertible loans, either in whole or in parts and at any time, into ordinary shares of the Company at any time up to maturity.

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

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

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

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

24. Borrowings (Continued)

Convertible loans (Continued)

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

	Group and Company 2015 RMB'000	2014 RMB'000
Liability component		
- Balance at 1 January	28,292	28,292
- Repayment	(28,292)	–
- Balance at 31 December	–	28,292
Add: Accumulated amortisation of discount		
- Balance at 1 January	6,405	5,111
- Amortisation of discount during the year	–	1,294
- Repayment	(6,405)	–
- Balance at 31 December	–	6,405
Carrying amount	–	34,697

The conversion of the outstanding balance of the convertible loans amounting to RMB 34,697,000 did not take place fully or partially before the maturity date on 28 July 2014. On 27 July 2014, the subscriber granted an extension to the Company till 30 October 2014 at no interest to repay the outstanding loan amount. On 29 October 2014, the Company made a repayment agreement with the subscriber on the arrangement to settle the outstanding loan. The outstanding loan was fully repaid on 30 January 2015.

Loans from third parties

The details of loans from third parties are as follows:

	2015 RMB'000	2015 Effective interest rates	2014 RMB'000	2014 Effective interest rates
Non-current	11,000	11.3%	23,500	11.3%
Current	139,855	12% – 90%	102,224	12% – 72%
Total	150,855		125,724	

The loans from third parties granted by individuals are unsecured.

(a) RMB 11,000,000 (2014: RMB 23,500,000) is repayable over a period of 2 years in 4 instalments (2014: 3 years in 6 instalments). Under the terms of the loan agreement, interest rate chargeable on the loan is computed by applying a fixed mark-up formula on the prevailing prime rate of the People's Bank of China. Interest amount is computed and payable on monthly basis.

24. Borrowings (Continued)

Loans from third parties (Continued)

(b) RMB 139,855,000 (2014: RMB 102,224,000) of which RMB 43,216,000 (2014: RMB 61,799,000) is repayable on demand with no fixed repayment date and RMB 90,140,000 (2014: RMB 40,425,000) have remaining maturity of between 7 and 365 (2014: 5 and 344) days from the end of the financial year.

25. Deferred capital grants

	Group	
	2015	**2014**
	RMB'000	**RMB'000**
Cost		
Balance at 1 January	15,731	13,731
Additions	–	2,000
Balance at 31 December	15,731	15,731
Accumulated amortisation		
Balance at 1 January	2,124	1,644
Amortisation	511	480
Balance at 31 December	2,635	2,124
Carrying amount		
Balance at 31 December	13,096	13,607
Represented by:		
Current	510	510
Non-current	12,586	13,097
	13,096	13,607

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

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

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

26. Trade and other payables

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables				
- third parties	171,174	115,165	–	–
Bills payables	351,659	341,357	–	–
Accrued expenses	44,893	38,349	5,266	4,726
Provision	15,869	10,663	–	–
Advances from customers	58,573	98,378	–	–
Deferred income	–	17	–	–
Deposits received	14,133	12,180	–	–
Value-added taxes payable	38,396	20,325	–	–
Other payables	72,769	57,192	2,882	–
Amounts due to subsidiaries (non-trade)	–	–	78,328	27,612
Amount due to a corporate shareholder	–	2,582	–	2,582
Amount due to an associate (non-trade)	1,510	2,487	–	–
	768,976	698,695	86,476	34,920

Trade payables are non-interest bearing and are normally settled on 60 (2014: 60) days' terms.

The bills payable to banks and commercial companies are secured by certain bank balances of the Group amounting to RMB 179,740,000 (2014: RMB 219,106,000), have maturity of between one and six (2014: one and nine) months, and interest rates are between 0.35% and 2.30% (2014: 0.39% and 2.55%).

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

Other payables comprise RMB 7,489,000 (2014: RMB 7,263,000) for the acquisition of property, plant and equipment.

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

The amount due to a corporate shareholder was unsecured, interest-free and fully repaid in 2015.

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

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Renminbi	760,829	691,387	48,495	19,211
Singapore dollar	7,792	7,308	15,937	15,237
Hong Kong dollar	–	–	26	40
United States dollar	355	–	22,018	432
	768,976	698,695	86,476	34,920

27. Operating lease commitments

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

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

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Future minimum lease payments payable:				
Within one year	1,523	1,195	187	185
After one year but within five years	371	581	–	–
	1,894	1,776	187	185

28. Capital commitments

	Group	
	2015	2014
	RMB'000	RMB'000
Capital expenditures contracted but not provided for		
- Commitments for the acquisition of plant and equipment	243	243
- Commitments for the construction of buildings	9,967	9,967
	10,210	10,210

29. Contingent liabilities

During the year, a subsidiary entered into a settlement agreement with its subcontractors for the construction cost incurred for a build transfer project, whereby both parties agree to settle the contract based on 80% of the total construction revenue, which amounted to approximately RMB95 million. As at the financial year end, the total construction costs of RMB69 million has been accrued. The remaining construction cost amounted to approximately RMB26 million. The settlement of the construction cost is to be determined by the outcome of a pending legal case. In this regard, the remaining construction cost of RMB26 million has not been recognised as at the financial year end.

The directors do not expect the outcome of the action to have a material effect on the Group's financial position.

30. Significant related party transactions

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Company if that person:

(i) Has control or joint control over the Company;

(ii) Has significant influence over the Company; or

(iii) Is a member of the key management personnel of the Group or the Company or of a parent of the Company.

(b) An entity is related to the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company is itself such a plan, the sponsoring employers are also related to the Company.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

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

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

	Group	
	2015	**2014**
	RMB'000	**RMB'000**
Sale of goods to an associate	13	188
Loan from a corporate shareholder	–	2,582
Repayment of convertible bond to a corporate shareholder	34,697	–

30. Significant related party transactions (Continued)

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

Key management personnel remuneration

	Group	
	2015	**2014**
	RMB'000	**RMB'000**
Directors' fees	1,079	1,185
Directors' remuneration other than fees		
- Salaries, bonuses and other short-term benefits	1,644	1,739
- Contributions to defined contribution plans	52	47
Key management personnel (other than directors)		
- Salaries, bonuses and other short-term benefits	1,356	1,398
- Contributions to defined contribution plans	57	47
	4,188	4,416

31. Segment information

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

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

(b) The corporate segment is involved in Group-level corporate services.

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

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

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

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

31. Segment information (Continued)

Group	Plastic pipe	Corporate	Per consolidated financial statements
	RMB'000	RMB'000	RMB'000
2015			
Revenue			
External customers	733,253	–	733,253
Results			
Amortisation of deferred capital grants	511	–	511
Amortisation of deferred income relating to term loan from a third party	–	–	–
Amortisation of land use rights	(2,556)	–	(2,556)
Depreciation of property, plant and equipment	(30,495)	(11)	(30,506)
Extinguishment of trade and other payables	2,610	–	2,610
Gain on disposal on held-for-trading investments	–	–	–
Government grants and subsidies	2,156	4	2,160
Impairment loss on property, plant and equipment	(388)	–	(388)
Impairment loss on goodwill	(827)	–	(827)
Interest expense	(109,706)	–	(109,706)
Interest income	5,990	–	5,990
Loss on disposal of property, plant and equipment	(651)	–	(651)
Research and development costs	(1,786)	–	(1,786)
Impairment loss on doubtful trade receivables, net	(4,708)	–	(4,708)
Impairment loss on contract receivables	–	–	–
Provision on inventories, net	(2,505)	–	(2,505)
Write-off of inventories	(1,243)	–	(1,243)
Share of losses of associates	(1,773)	–	(1,773)
Income tax expenses	(1,050)	–	(1,050)
Segment loss	(102,104)	(10,042)	(112,146)

31. Segment information (Continued)

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

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

Geographical information

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

Information about major customers

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

32. Financial risks management policies and objectives

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

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

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

Credit risk

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

The Group and the Company do not have any significant credit exposure to any single counterparty or any groups of counterparties having similar characteristics except for an amount of RMB 6,511,000 (2014: RMB 7,210,000) owing to the Group by 4 (2014: 3) major customers representing 17.9% (2014: 17.3%) of the Group's trade receivables.

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

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

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

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

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

32. Financial risks management policies and objectives (Continued)

Credit risk (Continued)

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

	Group	
	2015	**2014**
	RMB'000	**RMB'000**
Past due more than 180 days	19,031	23,254

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

Market risk

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

Foreign currency risk

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

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

32. Financial risks management policies and objectives (Continued)

Market risk (Continued)

Foreign currency risk (Continued)

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

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Monetary assets				
Singapore dollar	181	156	331	224
Hong Kong dollar	–	1	–	–
United States dollar	19	149	2	2
	200	306	333	226
Monetary liabilities				
Singapore dollar	7,792	6,969	15,936	15,237
Hong Kong dollar	–	–	26	40
United States dollar	355	339	22,018	432
	8,147	7,308	37,980	15,709

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a reasonably possible change of 10% (2014: 10%) in Singapore dollar ("SGD") Hong Kong dollar ("HKD") and United States dollar ("USD") against the respective functional currencies of the Group entities, on the Group's loss net of tax and equity. The sensitivity analysis assumes an instantaneous 10% change in the foreign currency exchange rates from the end of the financial year, with all variables held constant.

	Group	
	2015	2014
	RMB'000	RMB'000
SGD		
Strengthens against RMB	(761)	(681)
Weakens against RMB	761	681
HKD		
Strengthens against RMB	–	–
Weakens against RMB	–	–
USD		
Strengthens against RMB	(34)	(19)
Weakens against RMB	34	19

32. Financial risks management policies and objectives (Continued)

Market risk (Continued)

<u>Interest rate risk</u>

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

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

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

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Fixed rate instruments				
Financial liabilities				
- Borrowings	(630,972)	(636,551)	–	–
Variable rate instruments				
Financial assets				
- Bank balances	(209,509)	245,908	134	72

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

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

Cash flow sensitivity analysis for variable rate instruments

At the end of the financial year, if interest rates had been 3% (2014: 3%) higher/lower with all other variables held constant, the Group's loss net of tax and equity would have been RMB 525,000 (2014: RMB 736,000 higher/lower), arising mainly as a result of higher/lower interest income from floating rate bank balances, partially offset by higher/lower interest expenses from floating rate bank loans.

Liquidity risk

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

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

32. Financial risks management policies and objectives (Continued)

Liquidity risk (Continued)

	Within 1 year	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000
Group			
2015			
Financial assets			
Trade and other receivables	107,807	–	107,807
Held-for-trading investment	20,000	–	20,000
Cash and bank balances	19,602	–	19,602
Bank balances pledged	190,046	–	190,046
	337,455	–	337,455
Financial liabilities			
Trade and other payables	768,976	–	768,976
Borrowings	612,403	80,518	692,921
	1,381,379	80,518	1,461,897
Total net financial liabilities	(1,043,924)	(80,518)	(1,124,442)
2014			
Financial assets			
Trade and other receivables	119,161	–	119,161
Cash and bank balances	18,523	–	18,523
Bank balances pledged	227,558	–	227,558
	365,242	–	365,242
Financial liabilities			
Trade and other payables	698,695	–	698,695
Borrowings	588,140	142,395	730,535
	1,286,835	142,395	1,429,230
Total net financial liabilities	(921,593)	(142,395)	(1,063,988)

32. Financial risks management policies and objectives (Continued)

Liquidity risk (Continued)

	Within 1 year	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000
Company			
2015			
Financial assets			
Trade and other receivables	19,740	–	19,740
Cash and bank balances	138	–	138
	19,878	–	19,878
Financial liabilities			
Trade and other payables	79,678	–	79,678
Borrowings	–	–	–
	79,678	–	79,678
Total net financial liabilities	(59,800)	–	(59,800)
2014			
Financial assets			
Trade and other receivables	19,676	–	19,676
Cash and bank balances	95	–	95
	19,771	–	19,771
Financial liabilities			
Trade and other payables	34,920	–	34,920
Borrowings	34,697	–	34,697
	69,617	–	69,617
Total net financial liabilities	(49,846)	–	(49,846)

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

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

33. Fair value of financial assets and financial liabilities

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

Fair value of financial instruments that are carried at fair value

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

(a) the fair values of financial assets and financial liabilities with standard terms and conditions and which trade in active liquid markets are determined with reference to quoted market prices (Level 1 of fair value hierarchy);

(b) in the absence of quoted market prices, the fair values of the other financial assets and financial liabilities (excluding derivative instruments) are determined using the other observable inputs such as quoted prices for similar assets/liabilities in active markets, quoted prices for identical or similar assets/liabilities in non-active markets or inputs other than quoted prices that are observable for the asset or liability (Level 2 of fair value hierarchy).

(c) in the absence of observable inputs, the fair values of the remaining financial assets and financial liabilities (excluding derivatives instruments) are determined in accordance with generally accepted pricing models (Level 3 of fair value hierarchy).

(d) the fair value of derivative instruments are calculated using quoted prices (Level 1 of fair value hierarchy). Where such prices are unavailable, discounted cash flow analysis is used, based on the applicable yield curve of the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives (Level 3 of fair hierarchy).

	Group	
	2015	**2014**
	RMB'000	**RMB'000**
Level 2		
Assets		
Held-for-trading investments		
- Unquoted equity security	20,000	–

Determination of fair value

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

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

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

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

34. Capital management policies and objectives

The Group's Finance Controller ("FC") oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures and reports to the Group's Audit Committee.

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

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

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

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

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

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

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

The Group is in compliance with externally imposed capital requirements for the financial years ended 31 December 2015 and 2014.

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

34. Capital management policies and objectives (Continued)

	Group	
	2015	2014
	RMB'000	RMB'000
Borrowings	630,972	671,248
Trade and other payables	768,976	698,695
Total debt	1,399,948	1,369,943
Less: Cash and bank balances	(19,602)	(18,523)
Net debt	1,380,346	1,351,420
Equity attributable to owners of the Company	(606,331)	(504,558)
Less: Restricted reserves	(26,358)	(26,358)
Total deficit	(632,689)	(530,916)
Total capital and net debt	747,657	820,504
Gearing ratio	N.M	N.M

N.M.: Not meaningful

35. Subsequent events

The Company announced on 30 April 2016 that Xiamen International Bank and Bank of Communications in the People's Republic of China ("PRC") declined to roll out bank loans amounted to RMB17.5 million and RMB13 million to the Company's principal subsidiary, Fujian Aton Advanced Material Science and Technology Co., Ltd ("Fujian Atontech") respectively. Fujian Atontech was unable to repay the letter of credit line facility amounted to USD831,795 payable to China Construction Bank Fuqing Branch and the trade bill facility amounted to RMB11,215,936 payable to China Everbright Bank Fuzhou Branch due in April 2016. The management of the Company is in the process of negotiating and securing banking facilities and re-financing packages with the other banks in the PRC.

On 30 June 2016, the Company announced that except for the operations of the Company's principal subsidiaries in Fujian, being Fujian Atontech, Sichuan, being Sichuan Aton Plastics Co., Ltd, and Guizhou, being Sinopipe Gizhou CO., Ltd, all other production plants have ceased operations. Some creditors have also taken action against the subsidiaries of the Company due to default payments.

On 29 July 2016, the Company announced that the Group continued to work on streamlining the operations of the aforementioned operating subsidiaries to stay lean and viable, and to approach potential investors to inject capital fund to the subsidiaries to meet the operational needs.

As at 11 August 2016

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

TREASURY SHARES

The Company does not hold any treasury shares.

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	1	0.11	93	0.00
100 - 1,000	28	3.22	27,224	0.01
1,001 - 10,000	277	31.84	1,980,000	0.69
10,001 - 1,000,000	536	61.61	43,665,000	15.18
1,000,001 AND ABOVE	28	3.22	241,922,583	84.12
TOTAL	**870**	**100.00**	**287,594,900**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	FAITH START HOLDINGS LIMITED	47,500,000	16.52
2	CITIBANK NOMINEES SINGAPORE PTE LTD	45,942,895	15.97
3	HL BANK NOMINEES (SINGAPORE) PTE LTD	37,142,500	12.91
4	RHB SECURITIES SINGAPORE PTE. LTD.	18,924,000	6.58
5	DBS NOMINEES (PRIVATE) LIMITED	15,400,497	5.35
6	CROWN GALAXY HOLDINGS LIMITED	15,000,000	5.22
7	OCBC SECURITIES PRIVATE LIMITED	11,829,000	4.11
8	DB NOMINEES (SINGAPORE) PTE LTD	7,248,200	2.52
9	REBECCA THE	5,477,000	1.90
10	RAFFLES NOMINEES (PTE) LIMITED	4,587,000	1.59
11	TTH CAPITAL PTE LTD	3,000,000	1.04
12	SINGAPORE ENTERPRISES PTE LTD	2,595,000	0.90
13	CHOO CHEE KIONG	2,500,000	0.87
14	CHOY PENG HA	2,460,000	0.86
15	HSBC (SINGAPORE) NOMINEES PTE LTD	2,437,160	0.85
16	WONG FOO HONG	2,205,000	0.77
17	BOON SUAN AIK	2,192,000	0.76
18	KOH PANG KIN	1,987,000	0.69
19	YIM WING CHEONG	1,790,000	0.62
20	TOMORROW PTE LTD	1,700,000	0.59
	TOTAL	**231,917,252**	**80.62**

STATISTICS OF **SHAREHOLDINGS**

As at 11 August 2016

SUBSTANTIAL SHAREHOLDERS

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

Notes:

(1) Mr Wang Sen is deemed to be interested in the 47,500,000 shares held by Faith Start Holdings Limited by virtue of section 7(4A) of the Companies Act, Cap. 50 (the "Act").

(2) Mr Tommy Lybianto is deemed to be interested in 29,401,600 shares held by his father, Mr Kusnadi Lybianto by virtue of Section 4(1) of the Securities and Futures Act, Chapter 289.

(3) Loyal Team Group Limited is deemed to be interested in the 40,079,895 shares held in trust by Citicorp Investment Bank (Singapore) Ltd. Information on interests in shares of the Company reflected herein is based on the latest notification form for substantial shareholders in respect of interests in securities dated 17 August 2011 received by the Company; and the known dilutive effect of the conversion of the convertible loan into shares of 32,500,000 issued and paid up shares in the Company, which were allotted and issued on 26 July 2012. The Company has not received any further notification from Loyal Team Group Limited of any change in interest further to 17 August 2011.

(4) Mr Chen Zhizhong and Mr Chen Que are deemed to be interested in the 40,079,895 shares held in trust by Citicorp Investment Bank (Singapore) Ltd for Loyal Team Group Limited by virture of their respective shareholdings in Loyal Team Group Limited. Information on interests in shares of the Company reflected herein is based on the latest notification form for substantial shareholders in respect of interests in securities dated 17 August 2011 received by the Company; and the known dilutive effect of the conversion of the convertible loan into shares of 32,500,000 issued and paid up shares in the Company, which were allotted and issued on 26 July 2012. The Company has not received any further notification from Mr Chen Que of any change in interest further to 17 August 2011.

(5) Mr Pu Wei Dong is deemed to be interested in the 22,969,000 shares held by Triumpus Capital Ltd by virtue of section 7(4A) of the Act. Mr Pu Wei Dong is also deemed to be interested in the 60,000 shares held by his wife, Ms Zhu Jin Yan, by virtue of section 164(15)(a) of the Act.

(6) Mr Jiang Ping is deemed to be interested in the 15,000,000 shares held by Crown Galaxy Holdings Limited by virtue of section 7(4A) of the Act.

(7) Information on interest in shares of the Company reflected therein is based on the latest notification form for substantial shareholders in respect of interest in securities dated 30 September 2011 received by the Company; and the known dilutive effect of the conversion of the convertible loan into shares of 32,500,000 issued and paid up shares in the Company, which were allotted and issued on 26 July 2012. The Company has not received any further notification from Mr Kusnadi Lybianto of any change in interest further to 30 September 2011.

PERCENTAGE OF SHAREHOLDING IN THE HANDS OF PUBLIC

Based on information available to the Company as at 11 August 2016, approximately 46.00% of the issued ordinary shares of the Company are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

NOTICE IS HEREBY GIVEN that the Twelfth Annual General Meeting of the Company will be held at 16 Ayer Rajah Crescent #03-06 Singapore 139965, on Friday, 9 September 2016 at 3.00 p.m., for the purpose of transacting the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Financial Statements for the financial year ended 31 December 2015 and the Directors' Statement and the Auditors' Report thereon. **Resolution 1**

2. To approve Directors' fees of S$235,000 for the financial year ending 31 December 2016. (2015: S$235,000) **Resolution 2**

3. To note the retirement of Mr Chew Heng Ching, a Director who is retiring pursuant to Article 107 of the Constitution of the Company and would not be seeking re-election.

4. To re-appoint Messrs Mazars LLP as Auditors and to authorise the Directors to fix their remuneration. **Resolution 3**

5. To transact any other business that may be properly transacted at the Annual General Meeting of the Company.

SPECIAL BUSINESS

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

6. THAT pursuant to Section 161 of the Companies Act (Chapter 50) and in accordance with the listing rules of Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors to: **Resolution 4**

(a) (i) allot and issue shares in the capital of the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion, deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

PROVIDED THAT:

(1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company (including shares to be issued in pursuant of Instruments made or granted pursuant to this Resolution) does not exceed twenty per cent (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Resolution is passed, after adjusting for:

(i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(ii) any subsequent bonus issue or consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier. *(See Explanatory Note)*

BY ORDER OF THE BOARD

Wang Sen
Executive Chairman and Chief Executive Officer

Singapore
25 August 2016

Explanatory Note:

Resolution 4

Resolution no. 4, if passed, will empower the Directors of the Company to issue shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding in total fifty per cent (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company, with a sub-limit of twenty per cent (20%) for issues other than on a *pro rata* basis to shareholders. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this resolution is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this resolution is passed, and (b) any subsequent bonus issue or consolidation or subdivision of shares.

Notes:

(1) (a) A member of the Company ("**Member**") (other than a member who is a relevant intermediary) entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two (2) proxies to attend and vote on his/her behalf.

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

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

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

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

Personal Data Privacy

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

This page has been intentionally left blank.

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

PROXY FORM – TWELFTH ANNUAL GENERAL MEETING

IMPORTANT:

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

I/We, ______________________________ NRIC/ Passport/ Co. Reg. No. ____________

of ____ (Address)

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

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

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

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Annual General Meeting ("AGM") of the Company to be held at 16 Ayer Rajah Crescent #03-06 Singapore 139965, on Friday, 9 September 2016 at 3.00 p.m., and at any adjournment thereof.

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

	Ordinary Resolutions	For	Against
1.	To receive, consider and adopt the Audited Financial Statements for the financial year ended 31 December 2015 and the Directors' Statement and the Auditors' Report thereon.		
2.	To approve Directors' fees of S$235,000 for the financial year ending 31 December 2016. (2015: S$235,000)		
3.	To re-appoint Messrs Mazars LLP as Auditors and to authorise the Directors to fix their remuneration.		
4.	To authorise the Directors to allot/issue new shares.		

Dated this ________ day of ________________ 2016.

Total number of Shares Held

____

Signature(s) or Common Seal of Member

IMPORTANT: PLEASE READ THE NOTES OVERLEAF

Notes:

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

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

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

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

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

4. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 80 Raffles Place #32-01 UOB Plaza 1 Singapore 048624, not less than 48 hours before the time appointed for the holding of the meeting.

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

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

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

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

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

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

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

This page has been intentionally left blank.

This page has been intentionally left blank.

SINOPIPE HOLDINGS LIMITED
中国管业控股有限公司

Company Registration Number: 200411382N

Principal Places of Business:
Jingyang Industrial Area of Fuqing City
Fujian Province 350304
The People's Republic of China
Telephone: +86 591 8531 5915
Facsimile: +86 591 8531 1542

16 Ayer Rajah Crescent
#03-06
Singapore 139965
Telephone: +65 6223 8230
Facsimile: +65 6223 8279

Website: www.sinopipe.com.sg

cre8
Tel: (65) 63278398