Staying The

Course

BIO-TREAT TECHNOLOGY LIMITED

Annual Report 2007

contents

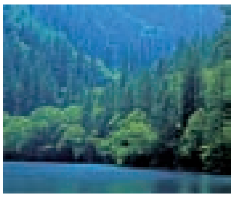
corporate vision

To compete successfully as a waste and wastewater treatment specialist in the PRC and globally, through our unique and proprietary BMS Biological Process Technology, Japanese process technology, extensive R&D capabilities, and commitment to quality.

Staying competitive in our industry

corporate profile

Listed on the Mainboard of the Singapore Exchange Securities Trading Limited in February 2004, Bio-Treat Technology Limited is one of the PRC's leading companies in the development and application of biotechnology for the treatment of waste and wastewater.



Bio-Treat has successfully developed the BMS Biological Process Technology ("BMS Technology") – a unique and proprietary application of biological processes for waste and wastewater treatment. Since its first trial in 1993, the BMS Technology has been applied to over 500 wastewater treatment projects in the PRC from residential to commercial and industrial projects. The waste and wastewater treated by the BMS Technology meet the affluent standards set by the State and Local Environmental Protection Administration in the PRC.

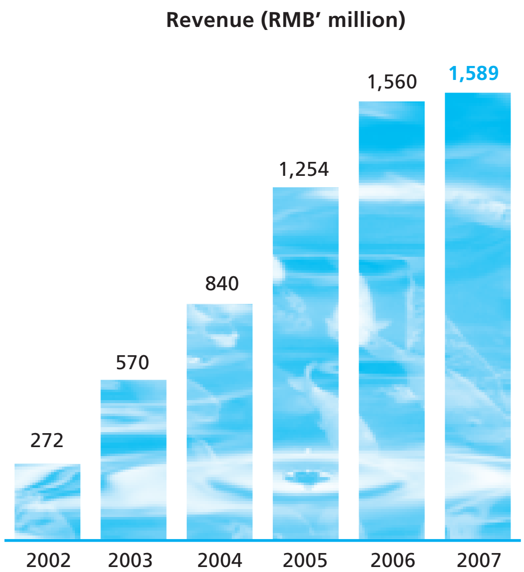
In July 2005, Bio-Treat established its position in the large-scale municipal wastewater treatment sector with the successful completion of its first large-scale project, the Kunshan City Wastewater Treatment Plant. Adding another exciting dimension to the Company's large-scale wastewater treatment projects, Bio-Treat embarked on Build-Operate-Transfer ("BOT") projects. In May 2006, it successfully completed its first BOT project in Xianyang City. BOT projects usually involve long-term contracts with Chinese cities and municipalities, often over 25 to 30 years, and therefore provide long-term, recurring revenue streams to the Group.

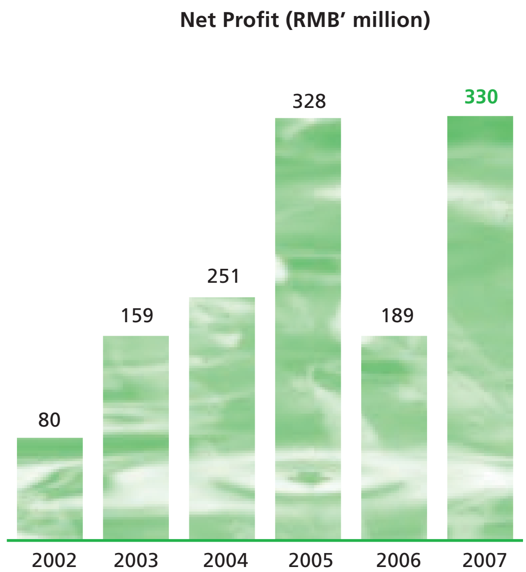
In July 2006, Bio-Treat secured its first underground large-scale wastewater treatment project in Beijing City. When the project is completed, it will become the first fully underground large-scale wastewater treatment plant operating in the PRC.

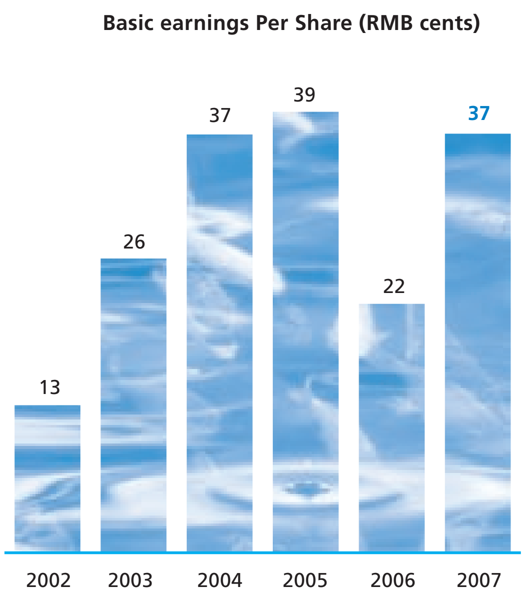
Leveraging on its BMS Technology, the Group has also successfully developed two waste management products for commercial and residential use – the BMS Mobile Toilet and the BMS Rubbish Processor. The BMS Mobile Toilet is designed for use at places where there is no continuous water supply, such as tourist sites, parks and along highways, whilst the BMS Rubbish Processor, available in various capacities to meet the needs of domestic and commercial users, is designed for the treatment of organic waste material.

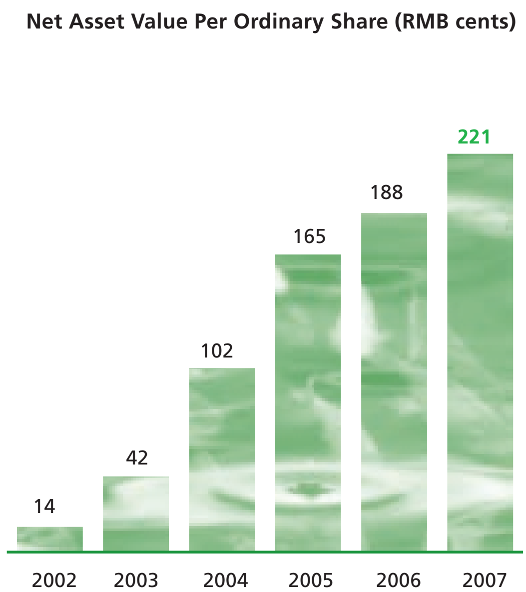
In a strategic thrust to expand its wastewater treatment business, Bio-Treat will produce and market a unique blend of coagulant for industrial wastewater treatment under the Aqua-Mate brand, which utilizes a unique Japanese technology invented by the Japanese partners. With respect to this, Bio-Treat will move into a new realm of the wastewater treatment business by extending its services to new areas in refractory industrial wastewater treatment and water recycling. This will also allow Bio-Treat strategic access for the expansion of its business into Japan. Bio-Treat has established a production facility in the PRC in September 2007 to manufacture the coagulant which will create a new revenue stream for the Group.

financial highlights

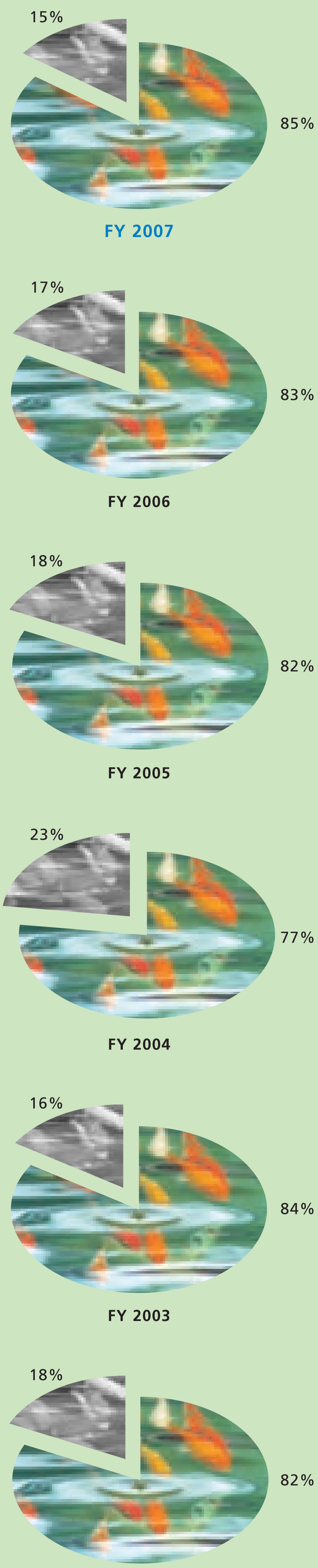




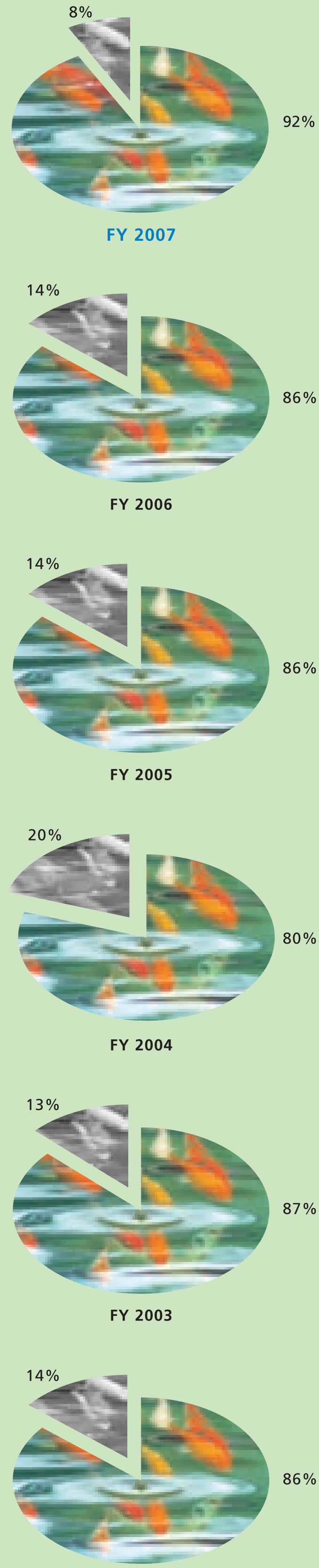




Revenue by Business Segment

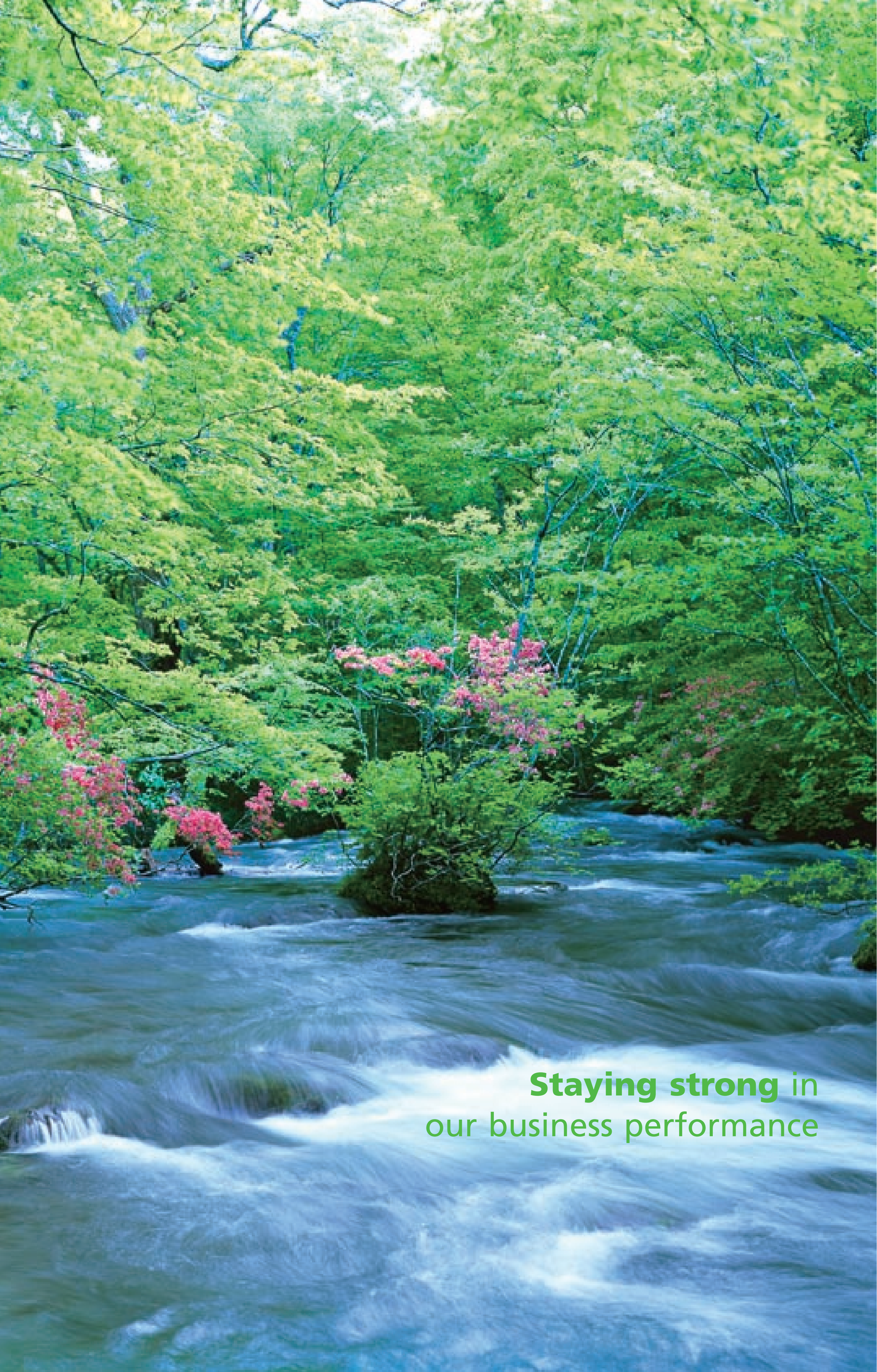


Profit by Business Segment



BMS Products and BOT/TOT Discharge fees

BMS Turnkey Wastewater Treatment Services



Staying strong in our business performance

message to shareholders

Dear Shareholders,

It gives me great pleasure in presenting the Annual Report and Accounts for the fiscal year ended 30 June 2007 ("FY2007").

I am very pleased to report that FY2007 has been a record year for Bio-Treat. This was a satisfying reward in a transitional year where we continued to lay down our cornerstones for future growth and expansion, and more importantly, make changes to our organizational structure with a view to further strengthen internal controls, standards of corporate governance and shareholders communications.

Earnings Back on a Steady Course

During the year, we have successfully steered our business back on course after a regressive development in the previous financial year.

Boosted by the growing contributions of the Group's core wastewater treatment services and prudent management of internal expenses, our net profit surged 75% to a record high RMB330 million, from RMB189 million a year ago. The impressive net profit growth was principally due to the effectiveness of our progressive upgrade of our BMS technology and the result of our efforts to strengthen our corporate governance, internal controls and better communications across the entire Group.

Despite the keen market competition within the business sector, the Company could still manage to increase its the revenue by 2% from RMB1.56 billion in FY2006 to RMB1.59 billion in FY2007.

Supported by the sustained robust market demand of the wastewater treatment industry and our long standing goodwill, revenue from wastewater treatment services increased 5% year-on-year to RMB1.4 billion in FY2007, representing 85% of the Group's total revenue. Revenue from the BMS product segment and BOT/TOT Transfer-Operate-Transfer ("TOT") project discharging fees made up the remaining 15%, amounting to RMB232 million of the Group's total revenue.

During the year under review, tax expenses increased 12% to RMB86 million from RMB76 million mainly due to higher operating profit as well as the expiry of the tax concession in the end of the second quarter of the financial year. In addition, due to the increase in the number of project companies in FY2007, administrative expenses also increased 24% from RMB57 million in FY2006 to RMB71 million.

Despite the negative impact caused by the expiry of the tax concession coupled with the increase in administrative expenses, total operating expenses, including cost of sales, distribution expenses as R&D costs and financial expenses, recorded a substantial decrease from 9% to over 30% as a result of the prudent and effective cost management during the fiscal year under review.

Based on our full-year results and our existing share capital of 887 million shares, earnings per share increased 68% to RMB0.37 while net asset value increased 17% to RMB2.2.

Organic Growth in Our Core Business

By sticking to our corporate strategy and further solidifying our core business foundation, we have managed to secure three new large-scale municipal projects, including one major turnkey project and two BOT projects during the fiscal year under review.

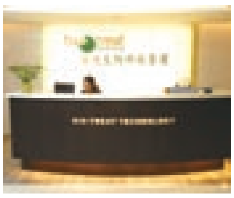
This project mix has reinforced our strategy of maintaining a portfolio of turnkey projects, for quick revenue recognition, and BOT/TOT projects for building an increasing stream of recurring income for the Company.

Staying professional
in every step

message to shareholders

In July 2006, we made a major breakthrough in Beijing with the announcement of our first underground in the PRC and the largest project win in the Beijing City. We believe that the successful completion of this fully underground large-scale wastewater treatment plant will further strengthen our presence as a leading player in the PRC's wastewater treatment arena, as well as showcase the effectiveness of our proprietary BMS Technology on large-scale projects.

Also, we have planned to manufacture a blend of Aqua-Mate coagulant based on Japanese proprietary technology. This product has been tested to be especially effective and efficient for treating complex compositions of industrial wastewater such as those containing colours, heavy metals, and other toxic components. With the access to this unique Japanese technology for the pre-treatment of wastewater through this joint venture, Bio-Treat is poised to ride on the synergy of the integration of this technology with our own proprietary technology to diversify the scope of our business into two new areas – Refractory Industrial Wastewater Treatment and Water Recycling.



Enhancing Corporate Governance

On 31 July 2007, we underwent board changes as Mr. Yip Wai Leung, Jerry and Mr. Phua Tin How retired from their Independent Director and Board Committee positions in the Company. We would like to take this opportunity to express our gratitude for their dedication and contributions to the Company during their term. We wish them all the best in their future endeavours.

Two new members, Mr. Lim Yu Neng Paul and Ms. Cheng Fong Yee were appointed as Independent Directors of the Company. The newly appointed Independent Directors, who are both Singaporeans will add strength to the Company's board and will also facilitate compliance with new SGX-ST Listing Rules requiring foreign issuers to have at least two Singaporean independent Directors as of 1 January 2008. Consequent upon their appointments as Independent Directors, Mr. Lim was also appointed as a member of the Audit Committee and Nominating Committee, and Ms. Cheng was appointed as Chairman of the Remuneration Committee with effect from 31 July 2007. With the reconstitution of the board and the board committees, we are confident that corporate governance and internal controls can be further enhanced and be kept abreast with the business growth of the Company in future.

Communications Hub in Shenzhen

To facilitate our operational needs and to keep abreast with the business development of all subsidiaries within the entire Group, a new office located at Shenzhen was established in August 2007 to serve as a communications hub for both internal and external communications.

For closer and more immediate project monitoring of the Group's BOT/TOT projects and the operations of all project companies throughout the PRC, a tailor-made state-of-the-art video wall monitoring system will be installed in Shenzhen.

A customized software system and application will be installed in the office to link all the internal project companies and share the most updated market intelligence with our investment team so as to facilitate sharing of information for project biddings.

Financing Activities Update

In FY2007, two loan facilities of RMB390 million and RMB65.28 million were secured with the Industrial and Commercial Bank of China Limited and The Bank of China Holdings Limited, respectively. The Facilities are a direct result of successful negotiations relating to the Suzhou BOT project financing (RMB390 million) as well as the refinancing of our Lianyungang City TOT Project which commenced operations in January 2006. We see the success in securing these facilities as a vote of confidence from the banking community reflecting their confidence in the future prospects and development of the Company.

Staying ahead in technological advances

message to shareholders

With these facilities, we will be able to achieve a reasonable leverage level that we have targeted for the effective utilization of our financial resources. Besides, we are confident that the facilities will further contribute towards the success of the Company's investment projects in China.

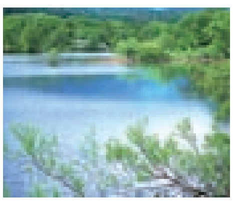
Dividend

To reward our shareholders, our Board of Directors has proposed a final dividend of 0.74 Singapore cents per ordinary share in respect of FY2007. Shareholders have the choice to opt for either a cash dividend or a scrip dividend. For the scrip dividend, subject to shareholders' approval at the upcoming AGM for allotting and issuing new shares under the terms and conditions of the Bio-Treat Technology Limited Scrip Dividend Scheme, our shareholders will have the option of receiving dividends in the form of fully-paid new shares in Bio-Treat. This will give you, our shareholders, the opportunity to further participate in the equity of the Company.

Growth Momentum Continues

The impressive revenue growth during the past six fiscal years ending FY2007, which produced a Compound Annual Growth Rate of 42%, has demonstrated our strong capability and expertise in the field of wastewater treatment. The strong performance also significantly represents the sustained demand for our BMS Technology based wastewater treatment products, services, and solutions.

Leveraging on our proprietary technology and our past track record in the business, including the winning of the first-ever underground wastewater facility to be built in the PRC – the Beijing BOT project combined with the establishment of a new joint venture with our Japanese Partners to manufacture coagulant, we strongly believe that the synergistically integrated expertise will further expand the scope of our wastewater treatment business.



In addition, under the National 11th Five-Year Plan of the PRC government, more than RMB600 billion will be invested to improve the water supply and wastewater treatment facilities over the next five to 10 years. With the foreseeable growth and consequent demand for wastewater treatment, we will proactively take initiatives in accordance with our corporate vision and advance our technology to increase the market penetration of our business in the year ahead.

Word of Thanks

On behalf of our Board of Directors and senior management, I would like to offer my appreciation to all staff members of Bio-Treat, an exceptional group of staff members who have made this Company their own and, consequently, made it stronger. We could not have achieved our results this year without their energy, passion and determination to drive our strategy in the marketplace and do what is right for our clients and our business.

They join me in expressing gratitude to you, our shareholders and stakeholders, for your continued confidence in us and in pledging your commitment to realising our growth potential in the days ahead.

I believe we have an exciting year ahead, and I look forward to working with the Board of Directors and the entire leadership team to take Bio-Treat to the next level of growth FY2008.

Chan Kong
Chief Executive Officer

projects for the year "Moving forward, with the completion of more BOT and TOT projects, we are is confident of our ability to build a stable earning stream as contributions from our recurring revenue continues to strengthen."

New BOT & TOT Projects Wins

At Bio-Treat, we constantly review our project bidding strategies in our efforts to maintain our leading position in securing large-scale wastewater treatment projects in the China market. To step up our business strategies for cherry-picking BOT and TOT projects in target cities that have high tariffs, good economic conditions, rapid development and a stable government, our Group reinforced both our internal controls and external market intelligence to realize our business objectives. The celebration of our successful wins for two BOT and a large-scale turnkey municipal project, reinforces our strength and resilience in the competitive market during the fiscal year under review.

Photos Update:
Beijing City BOT Project

Beijing City BOT Project

Bio-Treat's First Fully Underground Large-Scale Wastewater Treatment Plant

Secured in July 2006, this BOT projects is our first large scale contract win in the capital city of the PRC and marks an important milestone in our corporate history. When the construction is completed by mid 2008, it will become the first ever, fully underground large-scale wastewater treatment plant in China. Very interestingly, found on the top of the plant site will be a unique green belt that can be conserved for building a park or a garden.

Bio-Treat's total investment into this project is RMB110 million. Our ownership period of the plant, inclusive of construction is 29 years, following which, the ownership will be transferred back to the Beijing government. When completed, it would have the capacity to treat up to 40,000 tons of wastewater on a daily basis.

The success of this project in Beijing will open new doors of opportunities for our Company. We aim to build on these successes and to secure more underground wastewater treatment projects in other major Chinese cities, especially for those with limited supply of land, to propel Bio-Treat to greater heights in terms of performance and market presence.

Blueprint of our first underground large-scale wastewater treatment plant in Beijing

Luhe Economic Development Zone of Nanjing City BOT Project

This latest BOT project secured in January 2007 comprises two phrases, involving the construction of a wastewater treatment plant capable of treating up to 40,000 tons of wastewater per day.

The total contract value of both phases is RMB67 million. Bio-Treat will operate the plant for 30 years. Thereafter, the plant will be transferred back to the Nanjing government.

The Luhe Economic Development Zone is one of the important provincial level development zones in Nanjing and is a leading hub for education, research and transportation. It is strategically located at the intersection of the Nanjing-Liangyungang, Nanjing-Nantong and Nanjing-Huaian highways and offers enterprises with a favorable condition for development with its relatively low cost of labour and steady supply of high-level personnel. Nanjing houses 48 institutes of higher learning and 100 first-class research centers.

The size of the entire BOT Project in the Luhe Economic Development Zone is expected to be 120,000 tons in total wastewater treatment capacity. Our involvement in the first phase of the project positions Bio-Treat as a top contender for the remaining phases, and paves the way for more future wins in the development zone.

Large-Scale Turnkey Projects

In FY2007, Bio-Treat has gained momentum in our strategy of building a balanced portfolio of turnkey and BOT/TOT wastewater treatment projects. For turnkey projects, we have ventured into second tier cities to capture new incremental business. Adding a new dimension, our Group has adopted the approach of leveraging on the sales of our coagulant, combined with our proprietary BMS technology to seek large-scale turnkey projects with better profit margins.

Shenzhen City Turnkey Project

Bio-Treat's Largest Scale Turnkey Project

This RMB270 million turnkey municipal contract in Shenzhen City was secured in July 2006. With the capacity to treat up to 240,000 tones of wastewater on a daily basis, this project is the single largest turnkey project that our Company has embarked on in terms of scale. The contract also calls for Bio-Treat to construct a new wastewater treatment facility along with a set of drainage pipes in the Shenzhen municipality.

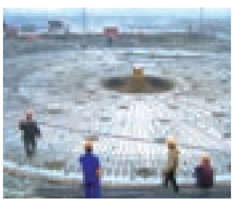
Winning this project has further entrenched our position in Guangdong Province, a province where our manufacturing plant is based.

project for the year

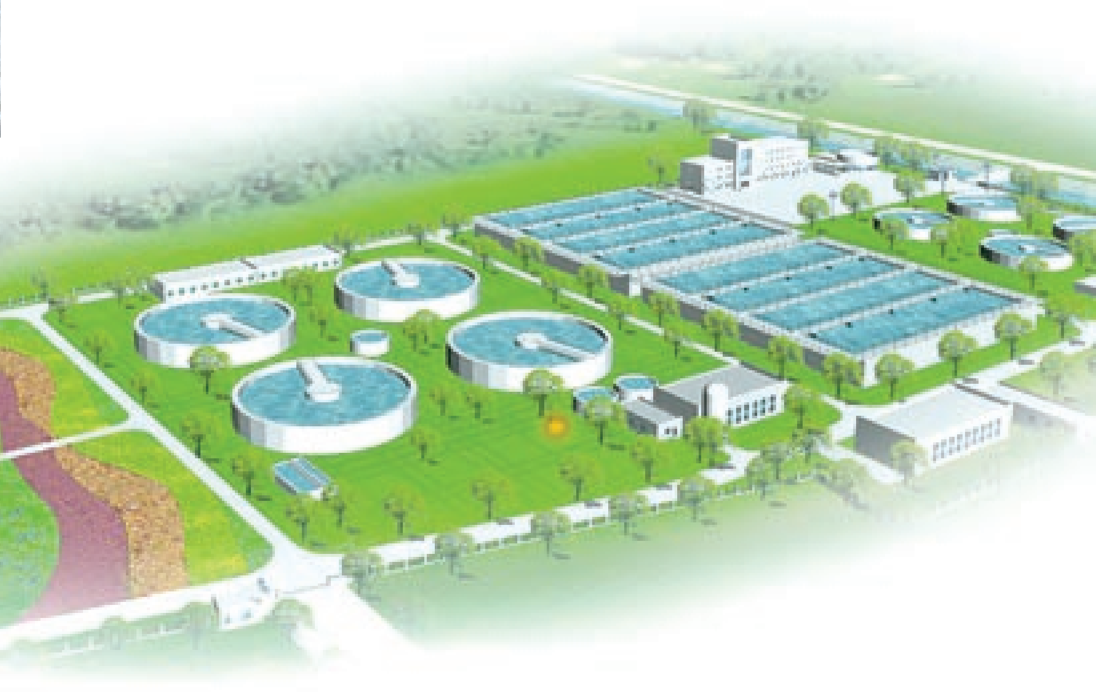
Future Growth Engine

Bio-Treat's objective is to position ourselves to bid for projects located in those areas with stable government as well as good economic conditions to ensure a satisfactory level of tariff with lower business risk. With the completion of one BOT project in Xianyang and three TOT projects in Lianyungang, Kunshan and Wuhan respectively, discharge fees of RMB109 million was recorded during the fiscal year under review. It is believed that our revenue growth will further accelerate when the other eight projects are completed.

Photos Update:
Suzhou BOT Project



Blueprint of our largest scale BOT wastewater treatment plant in Suzhou



our technology and new business update

"We believe that combining the proprietary coagulant-based technology of our Japanese partners with the strength of our BMS Biological Process Technology is a compelling value proposition that will broaden Bio-Treat's range of product applications to treat, in a more effective and efficient manner, complex industrial wastewater. In short, it is a perfect union of technologies, where the result is significantly greater than the sum of the parts."

In a strategic move to grow our business, the Group is focusing on marketing an innovative process technology for industrial wastewater treatment.

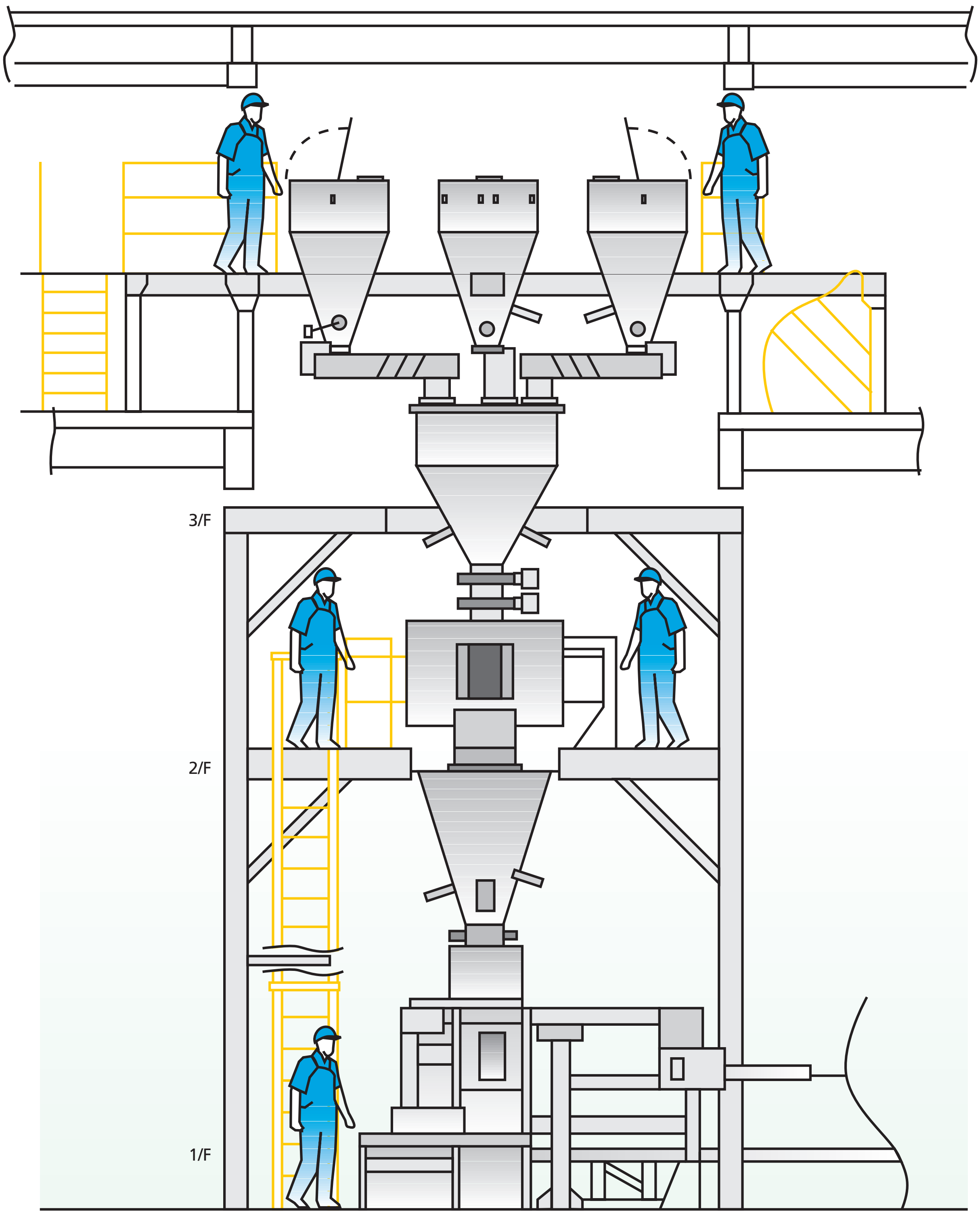
Proven Ability to Treat Industrial Wastewater

Utilizing the Japanese Technology, a proprietary blend of coagulant for wastewater treatment under the Aqua-Mate brand, was invented by our Japanese partner. This coagulant has been tested and has been found to be especially effective and efficient for treating complex compositions of industrial wastewater such as those containing colours, heavy metals, and other toxic components. The Aqua-Mate coagulant also has the proven ability to handle other treatment requirements which are difficult for traditional coagulants to handle.

The Group will also take advantage of the competitive costs of production in the PRC to establish a production facility in Dongguan City, PRC to manufacture the coagulant. The building of the production facility has already been completed in September 2007. The annual production capacity is at 60,000 tons per year. The coagulant manufactured at this facility will be sold in the PRC as well as exported to overseas markets, including Japan.

Bio-Treat has a highly successful track record in the secondary wastewater treatment process. With this unique Japanese Technology for the pre-treatment of wastewater through this joint venture, the Group will be able to diversify the scope of our business into two new areas – Refractory Industrial Wastewater Treatment and Water Recycling.

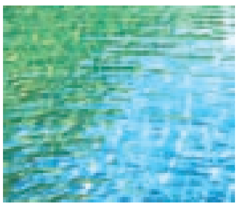
Bio-Treat's New Production Line to Manufacture Aqua-Mate Coagulant



Effective Platform to Expand

With the upcoming coagulant business, we will move into a new realm of our wastewater treatment business by extending our services to new areas in Refractory Industrial Wastewater Treatment and Water Recycling. Adding another exciting dimension to this is the strategic access which Bio-Treat will gain for the expansion of our business in Japan. We intend to leverage on our rights to export the PRC produced coagulant to the Japanese market as an effective platform to expand our product offerings to Japan.

For a good start, Bio-Treat plans to implement the Japanese Technology in our industrial and municipal wastewater treatment projects for the primary stage or pre-treatment process prior to subjecting the wastewater to the secondary stage of treatment using our own proprietary BMS Biological Process Technology.



By applying the unique combination of the Japanese Technology with our proprietary BMS Biological Process Technology for treating wastewater, the output quality of the treated water should be significantly improved, as compared to water which has been treated by traditional forms of pre-treatment.

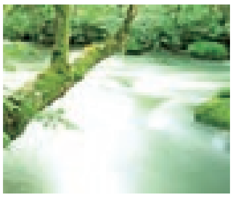
This "union" places Bio-Treat in a stronger position than before to bid for large-scale municipal projects, especially those that entail the treatment of high percentage of industrial wastewater and those which our competitors are not able to treat, or cannot treat to the required discharge standard of the Environmental Protection Agency in the PRC.

A Gateway to a Lucrative Revenue Stream

From a growth perspective, we believe that the new Aqua-Mate coagulant business is expected to have a positive, long-term impact on Bio-Treat as a result of the following:

- New streams of recurring income generated through the new businesses;
- Expected increases in volume of industrial wastewater treatment business due to the application of the unique combination of the Japanese Technology with Bio-Treat's proprietary BMS Biological Process Technology on existing and future projects;
- Increased volume of industrial wastewater treatment business translating into higher profit margins for that business as industrial wastewater treatment, as compared to domestic wastewater treatment, yields higher profit margins;
- With this new Japanese Technology, our Group has the ability to take on wastewater treatment projects that require a very specialized form of pre-treatment due to pollutant complexity, especially in certain types of industrial wastewater; and
- Expected new project opportunities arising from utilizing the two technologies.

We strongly believe that we will be in a good position to bid for recycling projects in the northern China region where recycling of water is urgently needed.

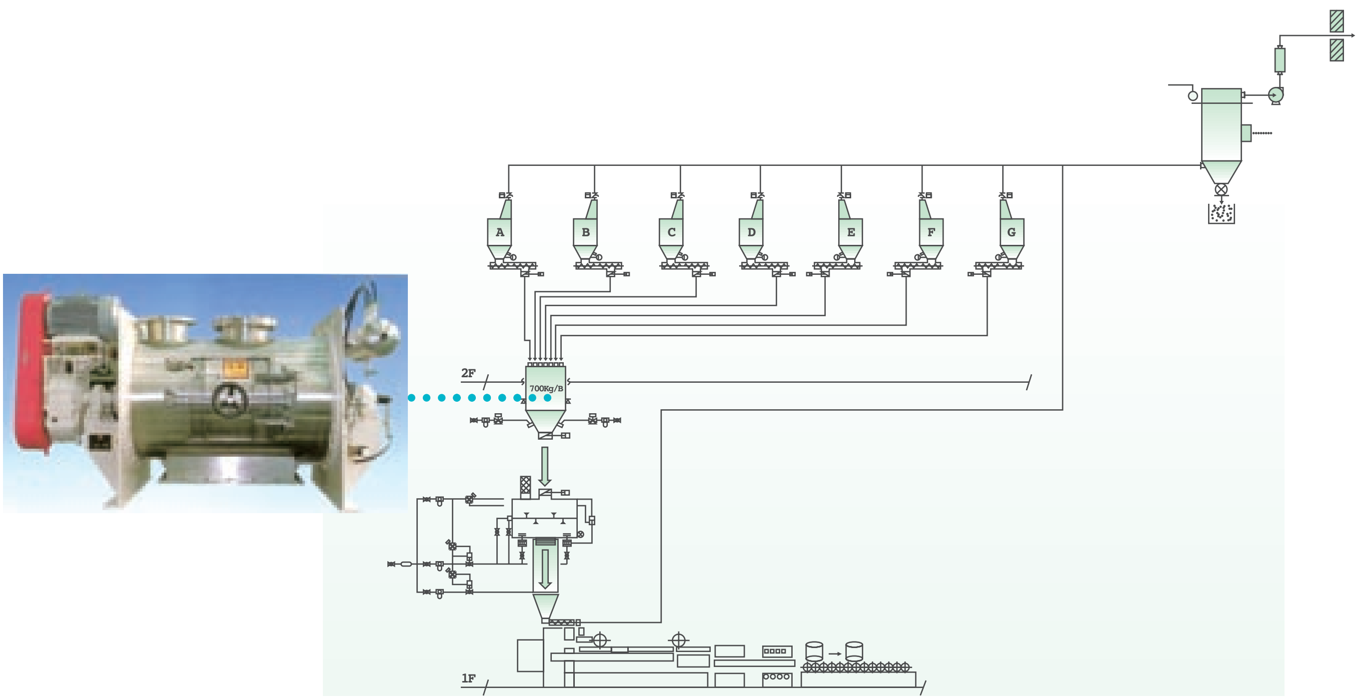


Proven Results of Aqua-Mate Coagulant

- Aqua-Mate is an inorganic coagulant which is environmentally friendly. There is no organic residue produced after its application. It satisfies International Safety Standards;
- Aqua-Mate can remove COD, NH3-H and SS from wastewater effectively and efficiently;
- Aqua-Mate can be continuously applied under pH 4-9 environment. No neutralization is required. The pH value of the output water is maintained at a stable level;
- Aqua-Mate can treat wastewater at a quicker decomposition rate as compared to other physical/chemical process technologies;
- Aqua-Mate is a powder like substance which is easy to store and apply; and
- Aqua-Mate can be applied to remove colours, heavy metals and other toxic components from industrial wastewater which are difficult for the traditional coagulants to handle

All in all, we believe that the new Aqua-Mate coagulant business will generate strategic and economic benefits to Bio-Treat through increased scope, new products and services, tangible synergies and expansion into new geographic markets. It is expected to expand the market for Bio-Treat and bring to market new and advanced wastewater treatment solutions.

Major Work Flow for Our Aqua-Mate Coagulant Production Line



our strengths on project bidding

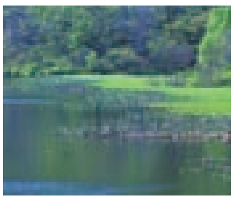
"We are operating in the right market as there are immense opportunities in the PRC's wastewater treatment industry for us to tap on. Our superior BMS Technology strongly sets us apart from competitors and provides Bio-Treat with a solid platform for long-term, high-margin, organic growth. With positive industry prospects and a strong business model, we have every reason to be optimistic about our future growth."

We constantly keep a close eye for opportunities to participate in the tender for wastewater treatment projects whenever they become available in developed provinces as these projects generally command higher margins. Prior to deciding whether the Company will participate in the bidding process, a feasibility study is conducted internally to carefully assess the profitability of the project as well as our chances of securing the project before we submit a bid. Key factors in our consideration include:

- meeting our Internal Rate of Return Standard
- meeting our corporate strategies
- the range of water tariff that the relevant municipal government will be willing to pay

Our Competitive Advantage

As a pioneer in the use of biotechnology for waste and wastewater treatment in the PRC, Bio-Treat has achieved an aggregate revenue of over RMB6 billion during the past six years. Our achievement today is the result of our core strengths and the invaluable contribution of our experienced and committed management team. Our leaders' astute business acumen, our Group's superior BMS technology, and most importantly the Group's solid fundamentals have also given us a winning formula, enabling us to play an active role in protecting the natural environmental.



Strong Track Record

Since 1993, we have built a solid track record with a portfolio of over 250 clients from the residential, commercial, and municipal sectors. Over the years, we have undertaken more than 500 projects with an increasing focus towards large-scale municipal turnkey and BOT/TOT projects.

R&D

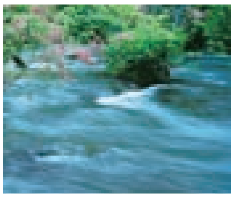
Through one of our greatest assets – our strong R&D team of researchers – we will continue to work with external technical advisers and collaborate with universities and research institutes to enhance our BMS Technology and find innovative ways to manage waste and wastewater.

Commitment to Quality

Another contributing factor to our success is our strong emphasis on quality. Our strict adherence to the highest standard of quality has earned us prestigious stances in the wastewater treatment industry. To reinforce our commitment to the continuous improvement in our quality and technologies, a new communications hub was established in Shenzhen to further enhance the awareness of quality management among our staff members. Market intelligence of the industry can also be exchanged within the entire Group.

First Mover Advantage

As one of the first movers in the Chinese waste and wastewater treatment industry, we are familiar with the business requirements and needs of the market. As such, we are well-positioned to capture a larger share of this growing industry.



Growing the Vision

With a clear focus on augmenting our proprietary BMS Technology and core business capabilities to further propel our business forward, we will continue to chart our growth path. We have clearly identified the use of BOT and TOT project as our major strategy for growth.

BMS Biological Process Technology – Our Unique and Winning Edge

The uniqueness of the BMS Technology lies in its proprietary blend of four main types of micro-organisms and the engineering design of the treatment system. These two elements simulate the functions of the natural ecosystem to convert and degrade organic sewage into little more than carbon dioxide and water.

As compared with the conventional activated sludge system which is commonly used by our competitors, the BMS Technology is a superior and more cost efficient way of treating waste and wastewater.

Less Energy Consumption

Our specially designed BMS system enables oxygen to be dissolved quickly in the treatment tanks and hence, less energy is required to pump air to the tanks through the aeration system. We estimate our energy consumption to be 30% less than other conventional wastewater treatment methods.

Lower operation and maintenance cost

The special blend of four main types of micro-organisms, once added to the tanks at the installation stage, does not need replenishment. This is because the micro-organisms are able to reproduce on a continuous basis, thus helping to maintain equilibrium.

The BMS system requires minimal maintenance. This compares favourably with the activated sludge methods that our competitors employ as they require regular maintenance.

Furthermore, the production of residual sludge, a typical by-product of a biological wastewater treatment process, is largely minimized in our BMS system. Hence, there is no need for surplus sludge to be treated and be physically disposed of.

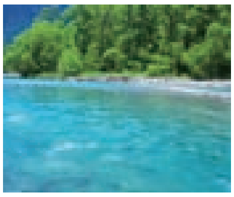
Flexibility in installation

As our BMS system does not produce sludge, it can be installed either above ground or underground, it also avoids the additional cost of sludge treatment.

Staying on the growth track

outlook “Leveraging on our strong competitive position and our differentiated proprietary BMS technology, as well as a clear growth strategy, Bio-Treat is well-poised to take advantage of the long-term growth prospects of the wastewater treatment industry in the PRC.”

We remain convinced of the viability of our long-term growth as we tap the opportunities arising from the increasing demand for waste and wastewater treatment services and products in the PRC.



Market Potential is Enormous

At the macroeconomic level, the growth of PRC’s wastewater treatment industry is expected to remain buoyant.

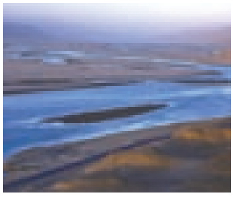
In its National 11th Five-Year Plan, the PRC government has estimated that over RMB600 billion will be invested in water supply and wastewater treatment facilities over the next five to 10 years to meet the increasing demand for clean water. The government is also planning to build an additional 1,000 treatment plants in the country by the year 2013. With the severe water shortage crisis where over 400 out of the 660 cities in the PRC face shortage of clean, usable water, both state and local governments have placed tremendous emphasis on the prevention and control of water pollution.

More importantly, the central government’s push to privatise government-owned wastewater treatment plants in the PRC has provided immense opportunities over the last few years for industry players to capture BOT and TOT projects in the various municipalities. Set against this backdrop of rising opportunities in the PRC’s wastewater treatment industry, Bio-Treat continues to see robust market demand for our products and services.

Strong Pillar for Revenue Growth

Adding an exciting dimension to Bio-Treat’s business going forward is our new Aqua-Mate coagulant business. This will allow Bio-Treat to exploit unique proprietary technology for industrial wastewater treatment, and will allow us to move into a new realm of the wastewater treatment business by extending our services to new areas in Refractory Industrial Wastewater Treatment and Water Recycling. The new business will also let Bio-Treat to explore the oversea market.

We truly believe the new Aqua-Mate coagulant business will generate substantial strategic and economic benefits to Bio-Treat through increased scope, new products and services, tangible synergies and expansion into new geographic markets – all the right reasons for new business. Undoubtedly, the JV would strengthen our market position and create an additional revenue stream for our Group.



Expanding Horizons

Against a backdrop of robust industry prospects in the PRC, we have outlined the following clear future plans:

- Focusing on large-scale turnkey projects in the first-tier and second-tier cities in the PRC;
- Cherry-picking BOT and TOT projects in target cities that have high tariffs, good economic conditions, rapid development and a stable government;
- Increasing our Group's gearing through project financing and syndicated loans;
- Diversify our income source;
- Securing consistent income stream and capitalizing on the opportunities arising from the new Aqua-Mate coagulant business.
- Exploring joint venture partnerships to reduce capital outlay for BOT & TOT projects and cooperation opportunities in developing new businesses for our Group.

In conclusion, we enter 2008 well-positioned to continue to gain momentum. On the corporate transparency front, we have put in place a series of measures to enhance our communications and strengthen our internal controls processes and operations. We have become leaner and more competitive, and we have assembled the right team to take on bigger challenges and deliver quality wastewater treatment services that our customers want. We are focused on execution and continued growth in 2008 and beyond.

board of directors

Chan Kong, Dennis

Chief Executive Officer and Executive Director

Mr. Chan is the Chief Executive Officer and a co-founder of our Group. He is responsible for the overall strategic planning, management, and business development of our Group. He is also in charge of our day-to-day operations and the sales and marketing functions. He brings to our Group extensive management, sales, and marketing expertise. Prior to joining our Group, Mr. Chan was a Marketing Development Specialist at Kodak (Export Sales) Ltd from 1987 to 1991. Mr. Chan is also a Director of Hontec International Ltd, a company engaged in the trading of photo products, which he co-founded. Since February 2006, Mr. Chan has taken on the executive duties of Mr. Wing Hak Man due to Mr. Wing's relinquishment of his executive roles in the Company. Mr. Chan holds a Bachelor degree in Science from the Chinese University of Hong Kong.

Cui Jun

Senior Engineer and Executive Director

Mr. Cui joined our Group as Senior Engineer in February 2005 and was appointed as Executive Director in April 2005. With over 22 years of environmental engineering experience, he brings to Bio-Treat strong technical expertise and currently leads the project management team. His career achievements include being in charge of the project design and engineering of the North District Wastewater Treatment Plant in Shanghai, a project which won the Third-Grade Award of Shanghai Science and Research. He also designed many other waste and wastewater treatment projects including commercial, residential, industrial, and municipal projects such as the mobile toilets for China's Ministry of Railway. Mr. Cui also serves as an Assistant Professor in Tonji University, Shanghai, specializing in waste and wastewater treatment. As many of his students are from the environmental protection industry, Mr. Cui brings to Bio-Treat an extensive network of client contracts from both the private and public sectors. Prior to working at Bio-Treat, Mr. Cui worked as a Senior Engineer in the Shanghai Railway City Transportation Design Department for 20 years.

Ma Zheng Hai

Company Legal Counsel and Executive Director

Mr. Ma joined our Group as Company Legal Counsel and Executive Director in April 2005. He brings to Bio-Treat over 13 years of legal experience from various facets of corporate and commercial law. Mr. Ma is responsible for our Company's legal matters including drafting of company contracts and overseeing legal matters such as patents, company licenses, and negotiations with the PRC government for commercial contracts. He is also in charge of our Group's internal legal controls to ensure that relevant governmental laws and regulations are adhered to by our Company. Prior to joining Bio-Treat, Mr. Ma was a lawyer at the Economic and Commerce Law Office of Xiangtan City, Hunan Province, the PRC. Mr. Ma graduated from the Northwest Political Science and Law University with a law degree.

Wong Kim Kwan, Kings

Sales & Marketing Manager and Executive Director

Mr. Wong has been working in a sales and marketing capacity with our Group since 1998. He was appointed as Executive Director in February 2006. Mr. Wong has over 11 years of sales and marketing experience in the wastewater treatment industry. He is responsible for the sales and marketing activities of our Group. Mr. Wong studied Business Administration at Hunan Business College.

Yan Fang

General Manager, Chief Engineer, and Executive Director

Mr. Yan has been General Manager and Chief Engineer of our Group since 1994. With extensive experience in chemical engineering and related fields, he is responsible for our Group's research and development activities. Prior to joining our Group, Mr. Yan was the Deputy General Manager of China Chemical Equipment Company, Shanghai Branch(中國化工機械總公司上海分公司), a company engaged in the development of machinery, from 1974 to 1994. Mr. Yan graduated from Zhejiang University of China with a Bachelor degree in Chemical Engineering.

board of directors

Cheng Fong Yee, Fonda
Independent Director
Cheng Fong Yee was appointed as our Independent Director on 31 July 2007. She is the Chairman of our remuneration committee.

Ms. Cheng is the General Manager of United Fiber Systems Ltd and is currently responsible for business development of the Company. She has more than 20 years of experience in the insurance industry. Ms. Cheng is an Associate of the Australian Insurance Institute. She has been involved in major overseas insurance projects, particularly in the Asia region and is actively involved in utilising insurance as a financial tool for project development in the region.

Kwok Chi-Shing
Independent Director
Mr. Kwok is one of our Independent Directors and was appointed to our Board in May, 2004. He is the Chairman of our audit committee and also a member of nominating committee and remuneration committee respectively.

Mr. Kwok brings with him over 13 years of accounting experience. He is currently a Director of Lam, Kwok, Kwan, & Cheng CPA Limited, a Hong Kong based accounting firm. He was formerly a partner of Wong, Lam, Leung, & Kwok CPA from 1993 to 1997.

He has extensive experience in corporate and financial management work, especially for real estate development and property management industries.

Mr. Kwok received his MA Honours degree in Accountancy and Economics from the University of Aberdeen, United Kingdom.

Lim Yu Neng, Paul
Independent Director
Mr. Lim was appointed as our Independent Director on 31 July 2007. He is a member of both our audit committee and nominating committee.

Mr. Lim has over 20 years of banking experience. He is the Founder and Director of TruPartners Asia Pte Ltd and is also a Consultant to Deutsche Bank, AG, Singapore.

Mr Lim was the President Director and Head of Investment Banking of PT Salomon Smith Barney, Indonesia and also the Director of Salomon Smith Barney International Merchant Bankers Limited (Singapore).

He is a Non Executive Director of United Fiber System Ltd, a company listed on the Singapore Exchange Limited.

Mr. Lim obtained his Master Degree in Business Administration, Finance and Bachelor of Science in Computer Science from the University of Wisconsin, Madison, USA. He is a Chartered Financial Analyst (CFA).

Zhou Yao Ming
Independent Director
Mr. Zhou is one of our Independent Directors and was appointed to our Board in October 2003. He is the Chairman of the nominating committee and a member of Audit committee and remuneration committee respectively. Mr. Zhou has over 42 years of experience in training and education in the PRC and was the Principal of Jinan University from 1991 to 1995. He graduated from Zhongshan University with a Bachelor degree in History.

management teams

Lam Kat Hon, Edward

Chief Scientific Officer

Dr. Lam is our Chief Scientific Officer and is responsible for formulating, planning, and developing R&D strategies in addition to managing our Group's R&D activities. Prior to joining our Group, Dr. Lam was engaged in research work with the Hong Kong University of Science & Technology from 1990 to January 2003.

Dr. Lam holds a Doctorate of Philosophy in Biochemistry and a Master of Philosophy in Biology from the Hong Kong University of Science & Technology.

Lau Cheuk Lun, Alan

Chief Financial Officer

Mr. Lau, our Chief Financial Officer, is responsible for managing and planning the finance activities of our Company. Mr. Lau has extensive years of experience in the areas of accounting, auditing, and finance from Canada and Hong Kong.

Prior to joining Bio-Treat, Mr. Lau worked at CIBA Vision Canada, a subsidiary of Novartis Corporation, a publicly listed company on the New York Stock Exchange, for 20 years. During his tenure with CIBA Vision, he held a number of senior posts, the most recent being Chief Financial Officer.

Mr. Lau has also worked in Hong Kong for several reputable companies for various positions such as internal audit, cost accounting and management accountant, etc..

Mr. Lau is a Chartered Accountant of England and Wales (A.C.A.), a member of the Hong Kong Institute of Certified Public Accountants (C.P.A.) as well as a fellow member of the Association of Chartered Certified Accountants of the United Kingdom (F.C.C.A.).

Su Jianlong

General Manager

Mr. Su is our General Manager and is responsible for leading and supervising our Group's investment, operations and engineering teams to meet our corporate strategies and business target.

He has extensive experience in the environmental protection industry and was engaged in the development, construction and management of large-scale water projects in China. Prior to joining our Group, he was the Deputy General Manager of General Water of China Co., Ltd., General Manager of Yuanshui Science & Technology (Beijing) Co., Ltd. , Chairman of Shenzhen GWC Co., Ltd. and Marketing Director and Principal Senior Consultant of China National Environmental Protection Group.

Mr. Su is devoted to his profession which is closely related to China's environment protection issue. He has held positions in public offices such as Governor of the Council on Large and Medium-sized Enterprises of China Investment Society, the Executive Governor of the Guangdong Association of Environmental Protection Industry and Vice-President of the Shenzhen Environmental Science Society. He was awarded the title of "Entrepreneur of the First National Excellent Environmental Protection Science and Technology" in 2001.

Mr. Su graduated with a Post-Doctorate in Mobile Station, from the Institute for Plasma Physics Research, Chinese Academy of Sciences in 1998. He has also received both his Doctorate and Masters Degree in Engineering, from the Institute for Plasma Physics Research, Chinese Academy of Sciences in 1996 and 1992 respectively. He also holds a Bachelors Degree, majoring in Electricity and Mechanics, from the Faculty of Electrical Engineering, Hefei University of Technology in 1987.

management teams

Huang Hua Xiang

Head of Investment

Mr. Huang, our Head of Investment, is responsible for our Group's investment projects and contract bidding activities in China. Mr. Huang brings along with him rich experience in pre-stage negotiations, design liaison, construction management, technology management and operation management of a sewage plant. Prior to joining our Group, he was the Deputy General Manager and Chief Engineer of Nanning Drainage Co., Ltd from 2000 to 2004. He was also the Deputy Chief Engineer and Deputy Director of the Office for Proposed Construction of Nanning Langdong Sewage Treatment Plant from 1997 to 2000.

Mr. Huang holds a Bachelor Degree in Environmental Engineering, from Hefei University of Technology.

Zou Lian

Head of Projects Operation

Mr. Zou is our Head of Projects Operation and is responsible for managing our Group's project operations activities.

He brings to our Group over 15 years of wastewater treatment experience in China. Before joining Bio-Treat, he was the Plant Manager of Luofang Sewage Plant with a capacity of 350,000 tons per day in Shenzhen from 1998 to 2006 He was also a Section Chief of the Sewage Section in Shenzhen Sewage Management Office from 1994 to 1998.

Mr. Zou graduated from the Lanzhou Railway University with a Bachelor Degree in Water Supply and Sewage.

Ma Ning

Head of Projects Management

Mr. Ma is our Head of Projects Management and is responsible for supervising the engineering and construction activities of our Group's project companies.

Mr. Ma has extensive experience and knowledge in engineering and construction. Prior to joining our Group, Mr. Ma was the Regional Project Director of the General Water of China Co., Ltd. from 2002 to 2005. He was also the Project Manager of a sewage treatment plant project with a capacity of 20,000 tons per day in Zhenjiang New Zone for Shenzhen Zhongxing Environmental E&T Ltd from 2001 to 2002. Mr. Ma studied Civil Engineering at Heilongjiang School of Commerce.

corporate information

Board of Directors

Executive Directors:
Chan Kong, Dennis (Chief Executive Officer)
Cui Jun
Ma Zheng Hai
Wong Kim Kwan, Kings
Yan Fang

Independent Directors:
Cheng Fong Yee
Lim Yu Neng, Paul
Kwok Chi-Shing
Zhou Yao Ming

Company Secretaries

Lau Cheuk Lun, Alan
Lotus Isabella Lim Mei Hua

Audit Committee

Kwok Chi-Shing (Chairman)
Lim Yu Neng, Paul
Zhou Yao Ming

Nominating Committee

Zhou Yao Ming (Chairman)
Lim Yu Neng, Paul
Kwok Chi-Shing

Remuneration Committee

Cheng Fong Yee (Chairman)
Zhou Yao Ming
Kwok Chi-Shing

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11, Bermuda

Head Office and Principal Place of Business

Tu Tang Industry Area, Tu Tang
Chang Ping, Dongguan City
Guangdong Province, PRC

Office in Shenzhen, PRC
Greater China International Exchange Square
East Area 26F, Jintian Road, Futian District
Shenzhen, China 518034

Representative Office in Hong Kong
Unit 1610, Tower 2, Silvercord
30 Canton Road
Tsim Sha Tsui, Hong Kong

Bermuda Share Registrar

The Bank of Bermuda Limited
6 Front Street
Hamilton HM11, Bermuda

Singapore Share Transfer Agent

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

Auditors

Moore Stephens
11 Collyer Quay
#10-02, The Arcade
Singapore 049317
Partner-in-charge: Neo Keng Jin
Date of Appointment: July 1, 2004

Principal Banker

Fubon Bank (Hong Kong) Limited

corporate governance report

The Company is committed to achieving high standards of corporate governance to ensure investor confidence in the Company as a trusted business enterprise. The Board and Management will continue to uphold good corporate governance practices to enhance long-term value and returns for shareholders and protect shareholders' interests.

This report describes the Company's corporate governance practices with specific reference made to each of the principles of the Code of Corporate Governance 2005 ("Code").

(A) BOARD MATTERS

Board's conduct of its affairs

The Board's key responsibilities include providing leadership and supervision to the management of the Company and its subsidiaries (the "Group") with a view to protecting shareholders' interests and enhancing long-term shareholders' value.

The Board's principal functions include the following:

(1) review and approve corporate strategies, financial objectives and directions of the Group;

(2) establish goals for management and monitor the achievement of these goals;

(3) ensure management leadership of high quality, effectiveness and integrity;

(4) approve annual budgets and investment and divestment proposals;

(5) review internal controls, risk management, financial performance and reporting compliance; and

(6) assume responsibility for corporate governance.

The Board is aided in its tasks by sub-committees, namely, the Nominating Committee, the Remuneration Committee and the Audit Committee. These committees have written mandates and operating procedures, which are reviewed on a regular basis.

The Board meets regularly, at least on a quarterly basis. Ad-hoc meetings are held at such times, as and when required, to address any specific significant matters that may arise. At meetings of the Board, the Directors are free to discuss and openly challenge the views presented by management and other Directors. The decision making process is an objective one.

The number of meetings and Directors' attendance at the Board meetings, held during the year, are as follows:

Name	Board		Audit Committee		Remuneration Committee		Nominating Committee	
	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Mr. Wing Hak Man (1)	6	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Mr. Chan Kong	6	6	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Mr. Yan Fang	6	4	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Mr. Ma Zhenghai	6	5	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Mr. Cui Jun	6	6	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Mr. Wong Kim Kwan, Kings	6	3	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Mr. Yip Wai Leung, Jerry (2)	6	5	5	4	2	2	3	3
Mr. Zhou Yao Ming (3)	6	6	5	5	2	2	3	3
Mr. Kwok Chi-Shing (4)	6	5	5	5	2	2	3	3
Mr. Phua Tin How (5)	6	6	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Mr. Lim Yu Neng Paul (6)	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Ms. Cheng Fong Yee (7)	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

Note:–

(1) Mr. Wing Hak Man resigned as Director of the Company with effect from 30 October 2006.

(2) Mr. Yip Wai Leung, Jerry resigned as Chairman of the Audit Committee and Remuneration Committee respectively and remained as member of the Remuneration Committee with effect from 26 June 2007. He resigned as an Independent Director with effect from 31 July 2007.

(3) Mr. Zhou Yao Ming resigned from the Remuneration Committee with effect from 26 June 2007, and was re-appointed on 31 July 2007. Furthermore, he was appointed as chairman of Nominating Committee on 31 July 2007.

(4) Mr. Kwok Chi-Shing was appointed as Chairman of the Audit Committee with effect from 26 June 2007.

(5) Mr. Phua Tin How was retired as Chairman of the Remuneration Committee with effect from 26 June 2007. No meetings of the Remuneration Committee were held in FY2007 following Mr. Phua Tin How's appointment. He resigned from his post as Independent Director with effect from 31 July 2007.

(6) Mr. Lim Yu Neng Paul was appointed as Independent Director and a member of the Audit Committee and Nominating Committee respectively with effect from 31 July 2007. No meeting of the Audit Committee and Nominating Committee were held in FY2007 following his appointment as member of the Audit Committee and Nominating Committee.

(7) Ms. Cheng Fong Yee was appointed as Independent Director and Chairman of the Remuneration Committee with effect from 31 July 2007. No meeting of the Remuneration Committee were held in FY2007 following her appointment as a Chairman of the Remuneration Committee.

In lieu of physical meetings, written resolutions were also circulated for approval by members of the Board.

The current members of the Board are familiar with the Group's business operations and corporate governance practices. The Nominating Committee ensures that new Board appointees are provided with information to familiarise them with the Group's business, strategic goals and directions and corporate governance practices.

At Board meetings, the Company provides ongoing education on Board processes, corporate governance practices and industry developments. Directors are encouraged to keep themselves abreast of the latest developments relevant to the Group.

Board Composition and Balance

The Board comprises nine Directors, four of whom are Independent Directors, namely, Mr. Kwok Chi-Shing, Mr. Zhou Yao Ming, Mr. Lim Yu Neng Paul and Ms. Cheng Fong Yee and they represent more than one-third of the Board.

The Board has determined that it is of an appropriate size to facilitate effective decision making and to meet the objective of having a balance of skills and experience. The Board comprises business leaders and professionals with industry, legal, accounting, financial, business and management backgrounds, and its composition enables the management to benefit from a diverse and objective external perspective, on issues raised before the Board. Each Director has been appointed on the strength of his caliber, experience and his potential to contribute to the Group and its business. Profiles of the Directors are set out on pages 24 and 25 of this Annual Report.

Mr. Kwok Chi-Shing, Mr. Lim Yu Neng Paul and Ms Cheng Fong Yee will be retiring and submitting themselves for re-election at the forthcoming Annual General Meeting in accordance with the Company's Bye-Laws.

The Directors and the sub-committees of the Board on which they sit are as follows:

Name of Director	Board	Audit	Nominating	Remuneration
Mr. Wing Hak Man (1)	Non-Executive Chairman	No	No	No
Mr. Chan Kong	Chief Executive Officer	No	No	No
Mr. Yan Fang	Executive Director	No	No	No
Mr. Ma Zheng Hai	Executive Director	No	No	No
Mr. Cui Jun	Executive Director	No	No	No
Mr. Wong Kim Kwan, Kings	Executive Director	No	No	No
Mr. Yip Wai Leung, Jerry (2)	Independent Director	No	No	No
Mr. Zhou Yao Ming (3)	Independent Director	Yes	Yes (Chairman)	Yes
Mr. Kwok Chi-Shing (4)	Independent Director	Yes (Chairman)	Yes	Yes
Mr. Phua Tin How (5)	Independent Director	No	No	No
Mr. Lim Yu Neng Paul (6)	Independent Director	Yes	Yes	No
Ms. Cheng Fong Yee (7)	Independent Director	No	No	Yes (Chairman)

(1) Mr. Wing Hak Man resigned as Director of the Company with effect from 30 October 2006.

(2) Mr. Yip Wai Leung, Jerry resigned as Chairman of the Audit Committee and Remuneration Committee respectively and remained as member of the Remuneration Committee with effect from 26 June 2007. He resigned as an Independent Director with effect from 31 July 2007.

(3) Mr. Zhou Yao Ming resigned from the Remuneration Committee with effective from 26 June 2007, and was re-appointed on 31 July 2007. Furthermore, he was appointed as Chairman of Nominating Committee on July 2007.

(4) Mr. Kwok Chi-Shing was appointed as Chairman of the Audit Committee of the Company in place of Mr. Yip Wai Leung, Jerry with effect from 26 June 2007.

(5) Mr. Phua Tin How was appointed as Chairman of the Remuneration Committee of the Company in place of Mr. Yip Wai Leung, Jerry and Mr. Yip Wai Leung, Jerry remained as a member of the Audit Committee with effect from 26 June 2007. He resigned from his post as Independent Director with effect from 31 July 2007.

(6) Mr. Lim Yu Neng Paul was appointed as a member of the Audit Committee and Nominating Committee respectively with effect from 31 July 2007. No meeting of the Audit Committee and Nominating Committee were held in FY2007 following his appointment as member of the Audit Committee and Nominating Committee.

(7) Ms. Cheng Fong Yee was appointed as Chairman of the Remuneration Committee with effect from 31 July 2007. No meeting of the Remuneration Committee were held in FY2007 following her appointment as a Chairman of the Remuneration Committee.

The Board is able to exercise objective judgment on corporate affairs independently from management. No individual or small group of individuals is allowed to dominate the Board's decision making. The Board is of the view that, given its current structure, there is sufficiently strong independent element on the Board to enable independent exercise of objective judgment on corporate affairs of the Group by members of the Board, taking into account factors such as the number of Independent Directors on the Board, as well as the size and scope of the affairs and operations of the Group.

Chairman and Chief Executive Officer

The Company has not appointed a Chairman of the Board since the resignation of its previous chairman, Mr. Wing Hak Man, on 30 October 2006. However, it is continuing its search to appoint a suitable candidate who has relevant experience and leadership skills to take up a leading role on the Board.

The Chief Executive Officer of the Company is Mr. Chan Kong. The Chief Executive Officer and management regularly consult with and seek the advice of members of the Board (individually and collectively) through meetings, telephone calls as well as by electronic mail.

Board Membership and Board Performance

The Nominating Committee comprises Mr. Zhou Yao Ming as its Chairman, Mr. Kwok Chi-Shing and Mr. Lim Yu Neng Paul as its members, all of whom are independent Directors.

The principal functions of the Nominating Committee are as follows:–

(1) make recommendations to the Board on all board appointments and re-nomination having regard to each Director's contribution and performance;

(2) review and determine annually whether a Director is independent;

(3) decide whether or not each Director is able to and has adequately carried out his duties as a director of the company, in particular where the Director concerned has multiple board representations;

(4) identify gaps in the mix of skills, experience and other qualities required in an effective Board and nominate or recommend suitable candidate(s) to fill these gaps; and

(5) ensure that all Board appointees undergo an appropriate orientation program.

In considering the re-appointment of a Director, the Nominating Committee evaluates such Director's contribution and performance, such as his or her attendance at meetings of the Board or Board committees, where applicable, participation, candour and any special contributions.

Access to Information

To enable the Board to function effectively and to fulfill its responsibilities, Management strives to provide Board members with adequate information for Board meetings and on an ongoing basis. The Board is furnished with Board papers prior to any Board meeting. These papers are issued in sufficient time to enable Directors to obtain additional information or explanations from Management, if necessary.

Directors are given separate and independent access to the Management team to address any enquiries and also have separate and independent access to the Company Secretary. The Company Secretary attends all Board meetings and ensures that they are conducted in accordance with the Memorandum of Association and Bye-Laws of the Company and that applicable rules and regulations are complied with. When necessary, Directors can seek independent professional advice at the Company's expense.

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

The Remuneration Committee comprises Ms. Cheng Fong Yee as Chairman, Mr. Kwok Chi-Shing and Mr. Zhou Yao Ming as members, all of whom are independent Directors.

The Remuneration Committee reviews the remuneration of the Non-Executive Chairman, the Chief Executive Officer, the Directors and key executives and approves recommendations on remuneration policies and packages for Directors and key executives. The review covers all aspects of remuneration, including, but not limited to directors' fees, salaries, allowances, bonuses, options, and benefits-in-kind. No Director is involved in any decision making in respect of any compensation to be offered or granted to him.

Level and Mix of Remuneration

The Remuneration Committee had on 25 June 2004, developed a remuneration framework for the Directors. Under the framework, the Remuneration Committee shall have regard to the following factors in determining remuneration:

(1) qualifications and experience of directors required by the Company;

(2) for Independent Director, the general level of fees earned by each Director in his professional capacity or billed by professionals in their industry;

(3) time spent in preparation for meetings and actual attendance;

(4) indirect costs and expenses incurred by Directors;

(5) such remuneration as may be considered fair and reasonable having regard to the nature and dimension of the business of the Company;

(6) level of remuneration to vary in direct proportion to the extent of involvement and participation in and contribution to the business of the Company;

(7) the level of commitment and the ability to devote sufficient time and attention to the business of the Company; and

(8) where special circumstances justify, the payment of additional remuneration.

Annual reviews are carried out by the Remuneration Committee to ensure that key executives are appropriately rewarded, giving due regard to the financial and commercial health and business needs of the Group.

The Group's remuneration policy is to provide compensation packages appropriate to attract, retain and motivate key executives and Directors.

Disclosure on Remuneration

A breakdown of the remuneration of Directors and the top five key executives (who are not Directors) for the financial year ended 30 June 2007 is set out below:

a) The level and mix of each Director's remuneration are as follows:

Remuneration Band and Name of Director	Directors' Fee %	Salary[#] %	Bonus %	Benefits in kind %	Total %
Below S$250,000					
Mr. Wing Hak Man [(1)]	–	0	–	–	0
Mr. Chan Kong	–	100	–	–	100
Mr. Yan Fang	–	100	–	–	100
Mr. Ma Zhenghai	–	100	–	–	100
Mr. Cui Jun	–	100	–	–	100
Mr. Wong Kim Kwan, Kings	–	100	–	–	100
Mr. Yip Wai Leung, Jerry [(2)]	100	–	–	–	100
Mr. Kwok Chi Shing	100	–	–	–	100
Mr. Phua Tin How [(3)]	100	–	–	–	100
Mr. Zhou Yao Ming	100	–	–	–	100

(1) Mr. Wing Hak Man resigned as a Director of the Company with effect from 30 October 2006.

(2) Mr. Yip Wai Leung, Jerry resigned as an Independent Director with effect from 31 July 2007.

(3) Mr. Phua Tin How resigned as an Independent Director with effect from 31 July 2007.

The salary amount shown is inclusive of allowances, statutory contributions, all fees other than directors' fees, and other emoluments.

b) The level and mix of each key executive's (who are not also Directors) remuneration in bands are as follows:

Remuneration Band and Name of Key Executive	Salary# %	Bonus %	Benefits in kind %	Total %
From S$250,001 to S$500,000				
Mr. Huang Hua Xiang	100	–	–	100
Below S$250,000				
Mr. Lam Kat Hon, Edward	100	–	–	100
Mr. Shiu Wai Chung, Terence (1)	100	–	–	100
Mr. Su Jialong	100	–	–	100
Mr. Lau Cheuk Lun (2)	100	–	–	100

(1) Mr. Shiu Wai Chung, Terence resigned as Chief Financial Officer and Company Secretary with effect from 31 December 2006.

(2) Mr. Lau Cheuk Lun was appointed as Chief Financial Officer and Company Secretary with effect from 1 January 2007.

The salary amount shown is inclusive of allowances, statutory contributions, all fees other than directors' fees, and other emoluments.

There are no employees of the Group who are immediate family members of a Director and whose remuneration exceeds S$150,000 during the financial year ended 30 June 2007. None of the Directors and key executives' remuneration exceeded S$250,000 per annum for the financial year ended 30 June 2007.

The Company had in June 2005 cancelled all outstanding options granted to Directors and employees under the Bio-Treat Technology Employee Share Option Scheme (the "**Scheme**"). As at the date of this Report, there are no outstanding options under the Scheme.

(C) ACCOUNTABILITY AND AUDIT

Accountability

The Board's primary role is to protect and enhance long-term value and returns for Shareholders. In the discharge of its duties to Shareholders, the Board, when reporting the Group's financial performance via SGXNET announcements and the Annual Report, has a responsibility to present a fair assessment of the Group's financial performance, position and prospects. Management currently provides the Board with detailed management accounts of the Group's performance, position and prospects on a quarterly basis. Directors have access to Management at all times.

Audit Committee

The Audit Committee comprises three Independent Directors and is chaired by Mr. Kwok Chi-Shing. The other members are Mr. Zhou Yao Ming and Mr. Lim Yu Neng Paul.

The Audit Committee meets regularly with the Group's external auditors and Management to review accounting, auditing and financial reporting matters, so as to ensure that an effective control environment is maintained in the Group.

The Audit Committee also monitors proposed changes in accounting policies, reviews the internal audit functions and discusses the accounting implications of major transactions. In addition, the Committee advises the Board regarding the adequacy of the Group's internal controls and the contents and presentation of its reports.

The functions of the Audit Committee include:

(1) recommending to the Board the appointment or re-appointment of the external auditors for the coming year;

(2) reviewing with the external auditors the audit plan and their evaluation of the system of internal accounting controls and monitor Management's response and actions to correct any noted deficiencies;

(3) approving the actual internal audit plan;

(4) evaluating the effectiveness of both the internal and external audit efforts through regular meetings;

(5) determining that no unwarranted management restrictions are being placed upon either the internal or external auditors;

(6) reviewing the financial statement with management and external auditors (where applicable) for submission to the Board;

(7) reviewing interested person transactions (if any);

(8) reviewing the scope and results of the audit and its cost effectiveness and the independence and objectivity of the external auditors. Where the auditors also supply a substantial volume of non-audit services to the Company, the Audit Committee shall keep the nature and extent of such services under review;

(9) meeting with the external auditors, without the presence of the Company's Management, at least annually; and

(10) reviewing the independence of the external auditors annually.

The Audit Committee is authorised to investigate any matter within its terms of reference, and has full access to Management and also full discretion to invite any Director or executive officer to attend its meetings, as well as reasonable resources to enable it to discharge its function properly.

The Audit Committee is satisfied with the independence and objectivity of the external auditors, Moore Stephens since its appointment in July 2004 and is satisfied that the provision on non-audit services by them would not affect their independence.

Internal Controls and Internal Audit

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The Board regularly reviews the effectiveness of all internal controls, including operational controls. Follow up actions has been taken progressive during the year and were listed as follow:

1. Committee Chairman

The Audit Committee, Remuneration Committee and Nominating Committee have been re-organised and following the re-organisation, each committee is chaired by a different Independent Director. Currently, Mr. Kwok Chi Shing, Ms. Cheng Fong Yee and Mr. Zhou Yao Ming are chairman of the Audit Committee, Remuneration Committee and Nominating Committee respectively.

2. Internal Audit

We have hired Yeung, Chan and Associates CPA Ltd to be responsible for our internal audit in March 2007. The firm has been hired to review the adequacy of internal controls in our financial system and to provide recommendations to strengthen any weaknesses in our internal controls.

3. Interested Person Transactions

On a quarterly basis, board members have to declare that they have no direct or indirect interests in any of the interested person transactions of the Group.

4. Internal Control Process and Operations

The following policies and measures have been actively implemented to facilitate our business development and to improve the Group's internal controls and corporate governance:

- Terms of Reference – have been adopted to specify clearly parameters of authority delegated by the Board to the Management.
- Budget Monitoring Policy – the budget process has been formalised with ongoing monitoring procedures, such as comparison of actual versus budget as an integral part of financial activities.
- Internal Audit Policy – a dedicated team has been appointed and established to perform independent checks, highlight system weaknesses and provide recommendations as well as follow-up actions.
- Documentation and Internal Approval Guidelines – procedures have been adopted to ensure proper documentation for audit and/or appropriate authorities.
- Risk Management Committee – has been established last year, headed by the Company's Chief Executive Officer and assisted by the Chief Financial Officer.
- Whistle-Blowing Policy – has been established last year. All employees have been given the contact information of the Audit Committee members to enable staff to report to Audit Committee privately for any significant issues related to corporate governance or internal controls.
- Hotline Direct Reporting Channel to Senior Management – all staff of the Group are encouraged to report directly to Senior Management on any issues or events that may have a material effect on the Group.
- Establishment of a new office in Shenzhen – for closer and more immediate project monitoring of the Group's projects in the PRC and as an internal communication hub for all project companies.
- Continuous improvement of the corporate governance practices in view of the SGX's regulatory requirements – to comply with SGX's new listing rules which calls for increased participation of resident directors in foreign listed companies, the rule requires two independent resident directors to be on board to enhance the corporate governance and strengthen the board composition within the deadline before January 2008, the management has adopted an early compliance on 31 July 2007 by appointing two new residents, Mr. Lim Yu Neng, Paul and Ms. Cheng Fong Yee respectively as our Independent Directors.

The above-mentioned policies/measures have been developed by Management and approved by the Board. The Board, and its three established committees, the Audit Committee, Nominating Committee and Remuneration Committee, will review the status and the efficacy of the internal control processes and operations on a quarterly basis and will determine if further actions need to be taken.

(D) COMMUNICATION WITH SHAREHOLDERS

In line with continuous disclosure obligations of the Company, and pursuant to the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Rules and Bermuda companies legislation, the Board ensures that shareholders are fully informed of all major developments that impact the Group.

Information is disseminated to the shareholders on a timely basis through:

(i) SGXNET announcements and press releases;

(ii) Annual Report prepared and issued to all shareholders; and

(iii) Company's website at www.bio-treattechnology.com at which shareholders can access information on the Group.

Quarterly results are released within 45 days of the quarter of the financial year.

The Company ensures that it does not practice selective disclosure of material information. Material information is publicly released before the Company meets with investors or analysts.

Shareholders are encouraged to attend the Annual General Meeting to stay informed of the Group's strategy and goals. The notice of the Annual General Meeting is dispatched to shareholders, together with explanatory notes or a circular on items of special business, at least 14 working days before the meeting. The Annual General Meeting is the principal forum for dialogue with shareholders.

The respective Chairman of the Audit, Remuneration and Nominating Committees will be available at the forthcoming Annual General Meeting to answer questions relating to the work of these committees. The external auditors will also be present to assist the Directors in addressing any relevant queries from the shareholders.

Management acknowledges that effective communication with investors is of paramount importance to the Group. In order to reinforce mutual understanding between shareholders and the Company, The Company has established a number of ways to strengthen our communication with investors in the past year, and it is the Company's utmost intention to have further improvements from time to time. Measures that the Company has taken are listed as follows:

a. Organise quarterly analyst briefings to explain our latest published financial information as well as to provide our business update;

b. Attend meetings/telephone conferences requested by investors/shareholders/analysts on an ongoing basis throughout the year to assist them in understanding the latest updates relating to the Company;

c. Organise road shows at least twice a year for our investors/potential investors. This may be done solely by ourselves or coordinated with investment bankers;

d. Organise plant visits by investors/potential investors to our facilities at least twice a year;

e. Ensure important information of the Group will be announced in a timely manner without delay; and

f. All analyst briefings and presentations to investors will be disseminated via SGXNET to all shareholders accordingly.

(E) DEALINGS IN SECURITIES

In line with Listing Rule 1207(18) of the Listing Manual, the Group prohibits its Directors and employees from trading in the Company's securities on short-term considerations. In addition, the Group prohibits its Directors and employees to trade in the Company's securities during the period beginning one month before the date of the announcement of the full year or half-year results respectively and ending on the date of the announcement of the relevant results and for the period beginning two weeks before the announcement of the quarterly results and ending on the date of the announcement of the relevant results. Directors and employees are also advised against dealing in the securities when they are in possession of any unpublished material price-sensitive information of the Group.

(F) INTERESTED PERSON TRANSACTIONS

During the financial year ended 30 June 2007, there were no interested party transactions.

Prior to entry by the Group into an interested person transaction, the Board and the Audit Committee will review such a transaction to ensure that the relevant rules under Chapter 9 of the SGX-ST Listing Manual are complied with.

(G) MATERIAL CONTRACTS

There are no material contracts of the Group involving the interests of any Directors or controlling shareholders subsisting at the end of the financial year ended 30 June 2007 other than announced via SGXNET through the course of the year.

(H) RISK MANAGEMENT

Management regularly 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 within the Group's policies and strategies. To further strengthen this area, a Risk Management Committee ("RMC") was set up in financial year FY2007, mainly to enhance communication between top management and all staff of the company. The Committee was set up to allow employees to report urgent cases relating to significant business events directly to top management, bypassing the usual reporting channel. This will enable management to be kept informed of any significant events that may happen from time to time, and to make urgent decisions in a timely manner. The terms of reference are:

- participation from all levels of staff (from management to general staff);
- timely investigation by management;
- no threshold limit for reporting; staff members will not be penalised even if the issues are proven not to be significant.

The RMC was established by management to facilitate more timely communication. The management will report to the Board on a quarterly basis, summarising all activities in the past quarter.

We wish to highlight that the nature of the function of the RMC is different from the Whistle Blowing Policy. The former is related to business communication relating to operational as well as corporate matters whereas the latter is in respect of corporate governance/internal control issues.

financial reports

report of directors

The Directors are pleased to present their report to the members together with the audited consolidated financial statements of Bio-Treat Technology Limited and its subsidiaries (the "Group") for the financial year ended 30 June 2007 and the balance sheet of the Company as at 30 June 2007.

1. DIRECTORS

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

Chan Kong	Executive Director and Chief Executive Officer
Yan Fang	Executive Director, General Manager and Chief Engineer
Cui Jun	Executive Director
Ma Zheng hai	Executive Director
Wong Kim Kwan, Kings	Executive Director
Zhou Yao Ming	Independent Director
Lim Yu Neng, Paul,	Independent Director
Cheng Fong Yee,	Independent Director
Kwok Chi-Shing	Independent Director

2. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRES 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 object was to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

3 DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

According to the register of Directors' shareholdings, the interests of the Directors holding office at the end of the financial year and as at the 21st day after the end of the financial year in the share capital of the Company were as follows:

Name of directors	**1 July 2006**	**30 June 2007**	**21 July 2007**
The Company	Ordinary shares of HK$0.40 each		
Chan Kong			
– Deemed interest	40,139,332	41,040,706	41,040,706

Same as set out above, none of the Directors has any direct or deemed interests in the share capital of the Company.

4 DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which the Director is a member, or with a company in which the Director has substantial financial interest except as disclosed in the notes to the financial statements and in this report.

5 OPTIONS TO TAKE UP UNISSUED SHARES

During the financial year, no option to take up unissued shares of the Company or any corporation in the Group was granted.

6 OPTIONS EXERCISED

During the financial year, there was no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

7 UNISSUED SHARES UNDER OPTION

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

8 AUDIT COMMITTEE

The Audit Committee comprises three Independent Non-Executive Directors. The members of the Committee are:

Kwok Chi-Shing (Chairman)
Lim Yu Neng, Paul (Member)
Zhou Yao Ming (Member)

The Audit Committee carried out its functions as required by Statute and the Listing Manual, which include:

(i) recommend to the Board the appointment or re-appointment of the external auditors for the coming year;

(ii) review with the external auditors the audit plan and their evaluation of the system of internal accounting controls and monitor management's response and actions to correct any noted deficiencies;

(iii) approve the internal audit plan;

(iv) evaluate the effectiveness of both the internal and external audit efforts through regular meetings;

(v) determine that no unwarranted management restrictions are being placed upon either the internal or external auditors;

(vi) review the financial statements with management and external auditors (where applicable) for submission to the Board;

(vii) review interested person transactions (if any);

(viii) review the scope and results of the audit and its cost effectiveness and the independence and objectivity of the external auditors. Where the auditors also supply a substantial volume of non-audit services to the Company, the Audit Committee shall keep the nature and extent of such services under review, seeking to balance the maintenance of objectivity and value for money;

(ix) meet with the external auditors, without the presence of the Company's management, at least annually; and

(x) review annually the independence of the external auditors.

On behalf of the Board of Directors,

CHAN KONG
Executive Director/CEO

CUI LUN
Executive Director

28 September 2007

statement by directors

30 June 2007

In the opinion of the directors, the accompanying financial statements set out on pages 48 to 94 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2007 and of the results, changes in equity and cash flows of the Group for the year then ended.

At the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors,

CHAN KONG
Executive Director

CUI JUN
Executive Director

Singapore
28 September 2007

report of the auditors

to the members of bio-treat technology limited
(incorporated in bermuda)

We have audited the accompanying financial statements of Bio-Treat Technology Limited (the "Company") and its subsidiaries (the "Group"), as set out in page 48 to 94, which comprise the balance sheets of the Group and of the Company as at 30 June 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2007 and the results, changes in equity and cash flows of the Group for the year ended on that date.

MOORE STEPHENS
Certified Public Accountants

Singapore
28 September 2007

consolidated income statement

for the financial year ended 30 June 2007

		Group	
		2007	2006
	Note	**RMB'000**	RMB'000
Revenue	(3)	**1,588,738**	1,559,682
Cost of sales		**(937,955)**	(1,032,875)
Gross profit		**650,783**	526,807
Other income	(4)	**1,385**	11,722
Selling and distribution costs		**(38,579)**	(51,481)
Research and development cost		**(41,125)**	(52,103)
Administrative expenses		**(71,102)**	(57,321)
Other operating expenses		**(39,969)**	(41,557)
Finance income	(5)	**10,663**	10,713
Finance cost	(6)	**(55,518)**	(81,568)
Share of losses of associated companies		**(581)**	–
Profit before income tax	(7)	**415,957**	265,212
Income tax	(9)	**(85,610)**	(76,203)
Profit for the year		**330,347**	189,009
Attributable to:			
Equity holders of the Company		**330,720**	189,009
Minority interest		**(373)**	–
		330,347	189,009
Earnings per share (RMB cents)	(10)		
– Basic		**0.37**	0.22
– Diluted		**0.34**	0.22

The accompanying notes form an integral part of these financial statements

balance sheets

as at 30 June 2007

		Group		Company	
	Note	**2007**	2006	**2007**	2006
		RMB'000	RMB'000	**RMB'000**	RMB'000
ASSETS					
Non-current Assets					
Property, plant and equipment	(11)	**818,474**	608,388	**–**	–
Construction-in-progress	(12)	**617,522**	378,244	**–**	–
Investments in subsidiaries	(13)	**–**	–	**261,882**	261,882
Investments in associated companies	(14)	**31,770**	39,721	**–**	–
Available-for-sale financial assets	(15)	**69,845**	–	**–**	–
Other non-current assets	(16)	**73,002**	67,790	**–**	–
Deferred tax assets	(17)	**13,212**	5,332	**–**	–
		1,623,825	1,099,475	**261,882**	261,882
Current Assets					
Contracts work-in-progress	(18)	**125,798**	100,181	**–**	–
Inventories	(19)	**181**	364	**–**	–
Trade and other receivables	(20)	**874,786**	750,093	**1,864,388**	1,792,581
Other current assets	(21)	**162,514**	72,322	**–**	–
Cash and bank balances	(22)	**820,692**	739,851	**1,593**	1,693
		1,983,971	1,662,811	**1,865,981**	1,794,274
Total Assets		**3,607,796**	2,762,286	**2,127,863**	2,056,156
EQUITY AND LIABILITIES					
Share Capital and Reserves					
Share capital	(23)	**375,740**	372,165	**375,740**	372,165
Reserves	(24)	**1,578,528**	1,282,438	**725,612**	700,816
		1,954,268	1,654,603	**1,101,352**	1,072,981
Minority interest		**8,883**	4,186	**–**	–
Total equity		**1,963,151**	1,658,789	**1,101,352**	1,072,981
Non-current Liabilities					
Convertible bonds	(25)	**1,025,681**	981,932	**1,025,681**	981,932
Borrowings	(26)	**444,400**	–	**–**	–
		1,470,081	981,932	**1,025,681**	981,932
Current Liabilities					
Trade and other payables	(27)	**70,406**	91,841	**830**	1,243
Due to deconsolidated subsidiaries	(15)	**69,845**	–	**–**	–
Borrowings	(26)	**17,130**	19,875	**–**	–
Provision for income tax		**17,183**	9,849	**–**	–
		174,564	121,565	**830**	1,243
Total liabilities		**1,644,645**	1,103,497	**1,026,511**	983,175
Total Equity and Liabilities		**3,607,796**	2,762,286	**2,127,863**	2,056,156

The accompanying notes form an integral part of these financial statements

consolidated statement of changes in equity

for the financial year ended 30 June 2007

	← Attributable to equity holders of the Company						→		
	Share capital	Share premium	Foreign currency translation reserves	Statutory reserves	Convertible bonds equity reserve	Retained profits	Total	Minority interest	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1 July 2005	365,806	558,264	100	20,085	–	477,808	1,422,063	4,186	1,426,249
Expenses in relation to issue of convertible bonds	–	–	–	–	(2,938)	–	(2,938)	–	(2,938)
Currency translation differences	–	–	2,052	–	–	–	2,052	–	2,052
Net (loss) recognised directly in equity	–	–	2,052	–	(2,938)	–	(886)	–	(886)
Profit for the year	–	–	–	–	–	189,009	189,009	–	189,009
Total recognised income and expenses for the year	–	–	2,052	–	(2,938)	189,009	188,123	–	188,123
Issue of new shares under scrip dividend scheme	6,359	56,158	–	–	–	–	62,517	–	62,517
Equity component of convertible bonds	–	–	–	–	80,367	–	80,367	–	80,367
Dividend declared and paid (Note 28)	–	–	–	–	–	(98,467)	(98,467)	–	(98,467)
Balance as at 30 June 2006	372,165	614,422	2,152	20,085	77,429	568,350	1,654,603	4,186	1,658,789
Balance as at 1 July 2006	372,165	614,422	2,152	20,085	77,429	568,350	1,654,603	4,186	1,658,789
Currency translation differences – recognised directly in equity	–	–	(795)	–	–	–	(795)	–	(795)
Profit for the year	–	–	–	–	–	330,720	330,720	(373)	330,347
Transfer to statutory reserves in accordance with statutory requirements	–	–	–	20,496	–	(20,496)	–	–	–
Total recognised income and expenses for the year	–	–	(795)	20,496	–	310,224	329,925	(373)	329,552
Issue of new shares under scrip dividend scheme	3,575	22,357	–	–	–	–	25,932	–	25,932
Dividend declared and paid (Note 28)	–	–	–	–	–	(56,192)	(56,192)	–	(56,192)
Capital injection from minority interests	–	–	–	–	–	–	–	5,070	5,070
Balance as at 30 June 2007	375,740	636,779	1,357	40,581	77,429	822,382	1,954,268	8,883	1,963,151

The accompanying notes form an integral part of these financial statements

consolidated cash flow statement

for the financial year ended 30 June 2007

	2007 RMB'000	2006 RMB'000
Cash Flows from Operating Activities		
Profit before income tax	**415,957**	265,212
Adjustments for:		
Amortisation of discount on convertible bonds	**53,472**	21,998
Expenses in relation to issuance of convertible bonds	**–**	35,087
Depreciation of property, plant and equipment	**81,851**	62,921
Loss on disposal of property, plant and equipment	**–**	313
Excess wastage incurred for construction-in-progress	**–**	36,000
Loss on deconsolidation of subsidiaries	**7,194**	–
Negative goodwill written off	**–**	(11,722)
Exchange gain on convertible bonds	**(10,518)**	–
Exchange loss on dividend paid	**851**	–
Share of losses of associates	**581**	–
Interest income	**(10,663)**	(10,713)
Interest expense	**2,046**	5,510
Operating cash flow before working capital changes	**540,771**	404,606
Changes in working capital		
Contracts work-in-progress	**(25,617)**	21,181
Inventories	**(19)**	62,707
Trade and other receivables	**(124,001)**	(214,775)
Other current assets	**(8,969)**	(59,824)
Trade and other payables	**(16,233)**	(21,284)
Cash generated from operations	**365,932**	192,611
Interest paid	**(2,046)**	(5,510)
Income tax paid	**(86,156)**	(72,701)
Net cash generated from operating activities	**277,730**	114,400
Cash Flows from Investing Activities		
Interest received	**10,663**	10,713
Purchase of property, plant and equipment	**(8,354)**	(30,800)
Construction-in-progress	**(524,651)**	(261,027)
Deposits for property, plant and equipment	**(81,223)**	(46,422)
Proceeds from disposal of property, plant and equipment	**–**	248
Acquisition of interests in subsidiaries, net of cash acquired (Note A)	**–**	(369,946)
Investments in associated companies	**7,370**	(39,721)
Land use rights including deposits	**(5,212)**	(10,000)
Net cash used in investing activities	**(601,407)**	(746,955)

The accompanying notes form an integral part of these financial statements

consolidated cash flow statement

for the financial year ended 30 June 2007

	2007 RMB'000	2006 RMB'000
Cash Flows from Financing Activities		
Dividends paid	**(31,111)**	(35,950)
Proceeds from issuance of convertible bonds, net	**–**	1,002,276
Exchange gain on capital injection	**–**	2,052
Capital contribution from minority shareholder of a subsidiary company	**5,070**	–
Advances to an associated company	**(12,884)**	–
Advances to a related party	**(2,000)**	(31,790)
Proceeds from borrowings	**455,280**	–
Repayment of borrowings	**(13,625)**	(123,901)
Repayment to minority shareholders	**–**	(7,008)
Increase in bank balances pledged	**(16,231)**	(4,003)
Due to deconsolidated subsidiaries	**11,861**	–
Net cash generated from financing activities	**396,360**	801,676
Net increase in cash and cash equivalents	**72,683**	169,121
Cash and cash equivalents at the beginning of the year	**735,848**	566,727
Less: Cash at bank and on hand of deconsolidated subsidiaries at the beginning of the year (Note B)	**(8,073)**	–
Cash and cash equivalents at the end of the year (Note 22)	**800,458**	735,848

Note A

The fair value of identifiable net assets of subsidiaries acquired in 2006, which approximate their carrying value, as at the date of acquisition and the net cash outflow on acquisition are set out below:

	2006 RMB'000
Property, plant and equipment	364,632
Construction-in-progress	139
Land use rights	11,369
Trade and other receivables	5,528
Cash and bank balances	6,054
Net identifiable assets	387,722
Goodwill (negative) arising on acquisition	(11,722)
Total purchase consideration	376,000
Less: Cash of subsidiaries acquired	(6,054)
Cash outflow on acquisition, net of cash acquired	369,946

The accompanying notes form an integral part of these financial statements

consolidated cash flow statement

for the financial year ended 30 June 2007

Note B

The fair value of identifiable net assets of subsidiaries deconsolidated in the current financial year, which approximate their carrying value, as at the date of deconsolidation are set out below:

	RMB'000
Property, plant and equipment	1,790
Inventories	202
Trade and other receivables	14,879
Due from related companies	57,984
Trade and other payables	(5,202)
Tax payable	(687)
Cash at bank and on hand	8,073
Net identifiable assets	77,039
Less: Loss on deconsolidation of subsidiaries	(7,194)
Net carrying value of available-for-sale financial assets (Note 15)	69,845

The accompanying notes form an integral part of these financial statements

notes to the financial statements

30 June 2007

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

1 GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and is listed on the Singapore Exchange Securities Trading Limited. The Company's registered address is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is Tu Tang Industry Area, Tu Tang, Changping, Dongguan City, Guangdong Province, the People's Republic of China ("PRC").

The principal activity of the Company is that of an investment holding company. The principal activities of the subsidiaries of the Group are set out in Note 13.

These financial statements were authorised for issue in accordance with a resolution of the Company's Board of Directors on 28 September 2007.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Group and the balance sheet of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

(b) Changes in Accounting Policies

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

(i) Adoption of Revised FRS

For the financial year ended 30 June 2007, the Group adopted the following revised FRS that is mandatory for application in the said year:

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

The Amendments to FRS 39 requires financial guarantees issued by the Company to be recorded initially at fair values plus transactions costs. These guarantees are subsequently measured at the higher of their initial fair values less cumulative amortisation and the amount that would be recognised if they were accounted for as contingent liabilities. Previously, these financial guarantees were accounted for as contingent liabilities whereby a loss was recognised only if it was probable that it would be incurred. The Amendments to FRS 39 is to be applied on a retrospective basis.

The application of the revised standard has no significant impact on the results and the retained profits of the Company for the financial year ended 30 June 2007 as the directors of the Company have assessed that the amounts involved are not material.

This change in accounting policy has no impact on the consolidated financial statements of the Group.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Changes in Accounting Policies (cont'd)

(ii) Other New or Revised FRS and Interpretations to FRS (INT FRS)

In addition, the Group has adopted other new or revised FRS and INT FRS that are relevant and mandatory for application in the current financial year. The adoption of these new or revised FRS and INT FRS did not have a material financial impact on the financial statements of the Group and the Company.

(iii) New FRS and INT FRS issued but not yet effective

At the date of authorisation of these financial statements, certain new FRS and INT FRS have been issued that are relevant to the Group but are only effective for future periods.

FRS 107	Financial Instruments: Disclosure
FRS 108	Operating Segments
INT FRS 110	Interim Financial Reporting and Impairment

FRS 107 and the complementary amended FRS 1 introduce new disclosures relating to financial instruments and capital respectively. FRS 107 requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

FRS 108 sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers.

The Group will apply FRS 107 from the annual period beginning 1 July 2007 and FRS 108 from the annual period beginning 1 July 2009. The directors anticipate that the adoption of FRS 107 and FRS 108 will not have a material financial impact on the financial statements of the Group.

The Group is unable to assess the impact on its financial statements, following the adoption of INT FRS 110.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Significant Accounting Estimates and Judgements

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving a higher degree of judgement are summarised below:

(i) Critical accounting estimates and assumptions

Useful lives of property, plant and equipment

The Group's management determines the useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of a similar nature and function. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Fair value estimates for financial assets and liabilities

The Group carries financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence (i.e. interest rates), the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these financial assets would affect profit and equity.

(ii) Critical judgement made in applying accounting policies

Contract revenue and costs

Construction contract accounting requires that variations, claims and incentive payments only be recognised as contract revenue to the extent that it is probable that they will be accepted by the customer. As the approval process often takes some time, a judgement is required to be made of its probability and revenue recognised accordingly.

Construction contract accounting also requires reliable estimation of the costs to complete the contract and reliable estimation of the stage of contract completion. Using experience gained on each particular contract, together with taking into account the expectations of the time and materials required to complete the contract, management uses forecasting tools to estimate the profitability of the contract at any particular time.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Significant Accounting Estimates and Judgements (cont'd)

(ii) Critical judgement made in applying accounting policies (cont'd)

Allowances for inventories

Reviews are made periodically by management on inventories for excess inventories, obsolescence and decline in net realisable value below cost and record an allowance against the inventories for any such declines. These reviews require management to utilise its judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

Allowance for impairment of receivables

The Group makes allowances for impairment of receivables based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Management specifically analyses historical bad debt, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment for receivables. Where the expectation is different from the original estimate, such difference will impact the carrying value of trade and other receivables. The goodwill on acquisition of association is assessed for impairment as part of the investments in associates.

(d) Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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

Subsidiaries are consolidated from the date on which control is transferred to the Group. Subsidiaries are de-consolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Basis of Consolidation (cont'd)

(i) Subsidiaries (cont'd)

Minority interests are that part of the net results of operations and of net assets of a subsidiary attributable to interests which are not owned directly or indirectly by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the date of acquisition by the Group and the minorities' share of changes in equity since the date of acquisition, except when the losses applicable to the minority interests in a subsidiary exceed the minority interest in the equity of that subsidiary. In such cases, the excess and further losses applicable to the minority interests are attributed to the equity holders of the Company, unless the minority interests have a binding obligation to, and are able to, make good the losses. When that subsidiary subsequently reports profits, the profits applicable to the minority interests are attributed to the equity holders of the Company until the minority interests' share of losses previously absorbed by the equity holders of the Company have been recovered.

(ii) Associated companies

Associated companies are entities over which the Group has significant influence, but not control, generally accompanying a shareholding of between and including 20% and 50% of the voting rights. Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting. Investments in associated companies in the consolidated balance sheet include goodwill (net of impairment losses) identified on acquisition, where applicable. The goodwill on acquisition of associates is assessed for impairment as part of the investments in associates.

Investments in associated companies are initially recognised at cost. The cost of acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

In applying the equity method of accounting, the Group's share of its associated companies' post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in equity directly. These post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interests in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in a manner intended by management.

Depreciation on items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives based on annual depreciation rates as follows:

Laboratory equipment	–	20%
Machinery	–	10% to 20%
Motor vehicles and office equipment	–	20%
Leasehold improvements	–	25%
Wastewater treatment plant and building	–	4% to 5%

Construction-in-progress represents property, plant and equipment under construction and is stated at cost less accumulated impairment losses. It includes costs of construction, plant and equipment and other direct costs including interest. No depreciation is provided on construction-in-progress until such time as it is completed and operationally ready for use.

The residual values and useful lives of property, plant and equipment are reviewed and adjusted as appropriate, at each balance sheet date. The effects of any revision of the residual values and useful lives are included in the income statement for the financial year in which the changes arise.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be reliably measured. Other subsequent expenditure is recognised as an expense in the income statement during the financial year in which it is incurred.

On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to the income statement.

(f) Investments in Subsidiaries and Associated Companies

Investments in subsidiaries and associated companies are stated at cost less accumulated impairment losses in the Company's balance sheet. On disposal of investments in subsidiaries and associated companies, the difference between net disposal proceeds and the carrying amount of the investments are taken to the income statement.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Goodwill

Goodwill represents the excess of the cost of an acquisition of subsidiaries over the fair value of the Group's share of their identifiable net assets and contingent liabilities of the acquired subsidiaries at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets.

The Group's policy for goodwill arising on acquisition of an associate is described under associated companies.

Goodwill is tested annually for impairment, as well as when there is any indication that the goodwill may be impaired. For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units (CGU) expected to benefit from synergies arising from the business combination. An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. Recoverable amount of a CGU is higher of the CGU's fair value less cost to sell and value in use. The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU. Impairment loss on goodwill is recognised in the income statement and is not reversed in a subsequent period.

Negative goodwill which represents the excess of the fair value of the Group's share of the identifiable net assets and contingent liabilities over the cost of acquisition is recognised in the income statement at the date of acquisition.

(h) Impairment of Non-financial Assets Excluding Goodwill

Non-financial assets excluding goodwill of the Group are reviewed for impairment whenever there is any indication that these assets may be impaired. If any such indication exists, the recoverable amount (i.e. the higher of the fair value less cost to sell and value in use) of the asset is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs. If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The impairment loss is recognised in the income statement.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in the income statement.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Financial Assets

The Group classifies its financial assets in the following categories: loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets are acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other category. Available-for-sale financial assets are carried at fair value with gains and losses being recognised directly in equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement. Impairment losses recognised in the income statement for investments in equity instruments classified as available-for-sale are not subsequently reversed through income statement.

(j) Land use rights

Land use rights which have finite lives are amortised on straight-line method over the lease terms of the land, which range from 25 to 50 years.

(k) Construction Contracts

A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and functions or their ultimate purpose or use.

Contract costs are recognised when incurred.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date (percentage-of-completion method). When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extend of the contract costs incurred that are likely to be recovered. When it is probable that total contract costs will exceed the total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in the contract work and claims that can be measured reliably. A variation or a claim is only included in contract revenue when it is probable that the customer will approve the variation or negotiations have reached an advanced stage such that it is probable that the customer will accept the claim.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Construction Contracts (cont'd)

The stage of completion is measured by reference to the contract costs incurred to date to the estimated total costs of the contracts. Costs incurred during the financial year in connection with future activity on a contract are excluded from costs incurred to date when determining the stage of completion of a contract. Such costs are shown as contracts work-in-progress on the balance sheet unless it is not probable that such contract costs are recoverable from the customers, in which case, such costs are recognised as an expense immediately.

At the balance sheet date, the aggregated costs incurred plus recognised profit (less recognised loss) on each contract is compared against the progress billings. Where costs incurred plus recognised profits (less recognised losses) exceed progress billings, the balance is presented as contracts work-in-progress in the balance sheet. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is presented as advance billings for contract works in the balance sheet.

Progress billings not yet paid by customers and retentions are included within trade receivables.

(l) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the first-in-first-out method. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs necessary to make the sale. Allowance is made for obsolete and slow-moving items.

(m) Trade and Other Receivables

Trade and other receivables are initially recognised at fair value, and subsequently carried at amortised cost, using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the receivable's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the allowance is recognised in the income statement.

(n) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and on hand and bank deposits less restricted bank balances, which form an integral part of the Group's cash management.

(o) Trade and Other Payables

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

(q) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowing costs incurred to finance the construction of wastewater treatment plants are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognised on a time-proportion basis in the income statement using the effective interest method.

(r) Convertible Bonds

When convertible bonds are issued, the liability component and the equity component are separately presented on the balance sheet. The liability component is recognised at its fair value determined using a market interest rate for equivalent non-convertible bonds. It is subsequently carried at amortised cost until the liability is extinguished on conversion or redemption of the bonds.

The reminder of the proceeds of the bond issue is allocated to the convertible bond equity reserve, which is presented in shareholders' equity, net of any deferred tax effect. The carrying amount of the convertible bond equity reserve is not changed in subsequent periods. When the convertible bonds are exercised, the carrying amount of the convertible bond equity reserve will be taken to share capital. When the convertible bonds are allowed to lapse, the carrying amount of the convertible bond equity reserve will be taken to retained profits.

(s) Fair Value Estimation

The carrying amounts of current financial assets and liabilities, carried at amortised cost, are assumed to approximate their fair values.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Valuation techniques, such as estimated discounted cash flows, are also used to determine fair value for the financial instruments.

The fair value of financial liabilities carried at amortised cost are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Revenue is presented, net of value-added tax, rebates and discounts, and after eliminating sales within the Group. Revenue is recognised as follows:

(i) Sale of goods

Revenue from sales of goods is recognised when a Group entity has delivered the products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(ii) Rendering of services

Revenue from contracts for the design, installation and construction of plants for wastewater and sewage treatment is recognised using the stage of completion method.

Revenue from discharge fees is recognised in the period in which the services are rendered.

(iii) Interest income

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

(u) Research and Development Costs

Research costs are recognised as an expense when incurred. Costs incurred in the development of projects relating to the design and testing of new improved products are recognised as an intangible asset where the technical feasibility and intention of completing the product under development has been demonstrated and resources are available to do so, costs are identifiable and there is an ability to sell or use the asset that will generate probable future benefits. Development costs that do not meet the above criteria are expensed as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(v) Employee Benefits

(i) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The Group's contributions are recognised as an expense in the income statement when they are due.

(ii) Employee leave benefits

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(w) Functional and Foreign Currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Renminbi (RMB), which is the functional currency of the main operating subsidiaries forming the Group, and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical costs in a foreign currency are translated using exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the income statement except for exchange differences arising on monetary items that form part of the Group's net investment in foreign subsidiaries, which are recognised initially in a separate component of equity as foreign currency translation reserves in the balance sheet and recognised in income statement on disposal of the subsidiary.

For inclusion in the consolidated financial statements, all assets and liabilities of foreign subsidiaries are translated into Renminbi at the exchange rates ruling at the balance sheet date and the results of foreign subsidiaries are translated into Renminbi at the average exchange rates which approximate the rates at transaction dates. All resulting exchange differences are recognised in a separate component of equity as foreign currency translation reserves. On disposal of a foreign operation, the cumulative amount of exchange differences recognised in equity relating to that foreign operation is recognised in the income statement as a component of the gain or loss on disposal.

(x) Operating Leases

Leases of property, plant and equipment in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(y) Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(z) Segment Reporting

A business segment is a distinguishable component of the Group engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of the Group engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

3 REVENUE

	Group 2007 RMB'000	2006 RMB'000
Contract revenue	**1,356,740**	1,287,164
Discharge fees	**109,426**	12,628
Sale of goods	**122,572**	259,890
	1,588,738	1,559,682

4 OTHER INCOME

	Group 2007 RMB'000	2006 RMB'000
Negative goodwill written off	**–**	11,722
Write back of impairment loss on trade receivables	**1,254**	–
Sundry income	**131**	–
	1,385	11,722

5 FINANCE INCOME

	Group 2007 RMB'000	2006 RMB'000
Interest income on bank deposits	**10,663**	10,713

6 FINANCE COSTS

	Group 2007 RMB'000	2006 RMB'000
Amortisation of discount on convertible bonds	**53,472**	21,998
Expenses in relation to issuance of convertible bonds	**–**	35,087
Bank charges	**25**	574
Interest expense on borrowings	**2,021**	4,936
Foreign exchange loss	**–**	18,973
	55,518	81,568

7 PROFIT BEFORE INCOME TAX

	Group 2007 RMB'000	2006 RMB'000
Profit before income tax is arrived at after charging/(crediting):		
Cost of inventories (included in cost of sales)	**439,058**	868,826
Amortisation of land use rights	**446**	459
Depreciation on property, plant and equipment included in		
– cost of sales	**50,181**	29,900
– research and development costs	**28,302**	30,074
– administrative expenses	**3,368**	2,947
Loss on disposal of property, plant and equipment	**–**	313
Excess wastage incurred for construction-in-progress	**–**	36,000
Contracts work-in-progress written off	**27,365**	3,697
Loss on deconsolidation of subsidiaries	**7,194**	–
Impairment loss on trade receivables	**33,121**	–
Impairment loss on non-trade receivables	**–**	1,114
Foreign exchange (gain)/loss (inclusive of exchange loss included in finance costs)	**(407)**	25,755
Rental expenses – operating leases	**3,743**	6,730

No non-audit service fee has been paid to the auditors of the Company for the current financial year.

8 STAFF COSTS

	Group	
	2007	2006
	RMB'000	RMB'000
Wages and salaries (including directors)	**25,762**	24,719
Defined contribution plans	**2,214**	2,598
Welfare and other benefits	**3,692**	2,705
	31,668	30,022

9 INCOME TAX

	Group	
	2007	2006
	RMB'000	RMB'000
Income tax expense attributable to profit is made up of:		
– current income tax	**93,490**	61,773
– deferred income tax	**(1,215)**	(817)
	92,275	60,956
(Under)/over provision in prior years		
– deferred income tax	**(6,665)**	15,247
	85,610	76,203

The Group's assessable profits were entirely derived by the operations of the Group's subsidiaries in the PRC. The income tax expense on profit differs from the amount that would arise using the PRC standard income tax rate of 33% (2006: 33%) is explained below:

	Group	
	2007	2006
	RMB'000	RMB'000
Profit before income tax	**415,957**	265,212
Tax calculated at PRC standard income tax rate	**137,266**	87,520
Tax concession	**(67,553)**	(87,405)
Expenses not deductible for tax purposes	**23,242**	55,108
Deferred tax assets not recognised	**1,562**	6,132
Utilisation of deferred tax assets not previously recognised	**(2,242)**	(399)
(Under)/Over recognition of deferred tax assets in prior years	**(6,665)**	15,247
	85,610	76,203

9 INCOME TAX (CONT'D)

In accordance with the PRC Income Tax Law on Foreign Investment Enterprises and Foreign Enterprises, the Group's subsidiaries in the PRC are exempted from income tax for the first two profitable years and a 50% reduction for the succeeding three years, commencing from the first profitable year after utilising all tax losses brought forward from the previous five years. For the financial year ended 30 June 2007, most of the Group's subsidiaries in the PRC are still exempted from income tax.

A subsidiary company, Golden Idea Bio-Engineering (Dongguan) Co., Ltd ("Golden Idea") is subject to PRC state income tax rate of 24% and provincial local income tax rate of 3%. However, as approved by the relevant tax authorities, Golden Idea is entitled to full exemption from income taxes for the first two statutory financial years commencing from their first profit-making year and a 50% tax reduction on the state income tax and an exemption from local income tax for the next three statutory financial years. Golden Idea had reported its first profit-making year in 2002. Accordingly, Golden Idea is subject to income tax at a reduced tax rate of 12% (2006: 12%) for the first half year and 27% (2006: 12%) for the second half year respectively for the financial year ended 30 June 2007.

As at the end of the financial year, certain of the Group's subsidiaries in the PRC have unutilised tax losses of approximately RMB9,969,000 (2006: RMB32,729,000) that are available for offset against future taxable profits of the subsidiaries in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its utilisation. The use of these unutilised tax losses is subject to agreement of the PRC tax authorities and compliance with certain provisions of the PRC tax legislation. Unutilised tax losses of approximately RMB20,699,000 brought down from the previous financial year have been disregarded due to the deconsolidation of certain subsidiaries of the Group as described in Note 15.

10 EARNINGS PER SHARE

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2007	2006
Profit for the year attributable to equity holders of the Company (RMB'000)	**330,720**	189,009
Weighted average number of ordinary shares outstanding during the year ('000)	**882,013**	869,510
Basic earnings per share (RMB cents)	**0.37**	0.22

10 EARNINGS PER SHARE (CONT'D)

(ii) Diluted earnings per share

For the purpose of calculating diluted earnings per share, the profit for the year attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares, being the convertible bonds issued by the Company which are assumed to have been converted into ordinary shares and the profit for the year is adjusted to eliminate the amortisation of discount on convertible bonds.

	Group	
	2007	2006
Profit for the year attributable to equity holders of the Company (RMB'000)	**330,720**	189,009
Amortisation of discount on convertible bonds (RMB'000)	**53,472**	21,998
Exchange (gain)/loss on convertible bonds	**(10,518)**	18,973
Adjusted profit used to determine diluted earnings per share (RMB'000)	**373,674**	229,980
Weighted average number of ordinary shares outstanding during the year for basic earnings per share ('000)	**882,013**	869,510
Adjustment for convertible bonds ('000)	**226,374**	67,113
	1,108,387	936,623
Diluted earnings per share (RMB cents)	**0.34**	0.22(*)

(*) The diluted earnings per share is the same as the basic earnings per share as the effect of the conversion of the convertible bonds is anti-dilutive.

11 PROPERTY, PLANT AND EQUIPMENT

Group	Laboratory equipment RMB'000	Machinery RMB'000	Motor vehicles & office equipment RMB'000	Leasehold improvements RMB'000	Wastewater treatment plant & building RMB'000	Total RMB'000
2007						
Cost						
At 1 July 2006	**184,149**	**144,726**	**15,648**	**3,755**	**449,275**	**797,553**
Additions	**–**	**2,093**	**3,199**	**3,062**	**–**	**8,354**
Transfer from construction-in-progress	**–**	**143,828**	**–**	**–**	**141,545**	**285,373**
Deconsolidation of subsidiaries	**–**	**–**	**(3,053)**	**–**	**–**	**(3,053)**
As at 30 June 2007	**184,149**	**290,647**	**15,794**	**6,817**	**590,820**	**1,088,227**
Accumulated depreciation						
As at 1 July 2006	**108,963**	**66,183**	**5,416**	**3,752**	**4,851**	**189,165**
Charge for the year	**28,302**	**20,940**	**2,705**	**550**	**29,354**	**81,851**
Deconsolidation of subsidiaries	**–**	**–**	**(1,263)**	**–**	**–**	**(1,263)**
As at 30 June 2007	**137,265**	**87,123**	**6,858**	**4,302**	**34,205**	**269,753**
Net book value						
As at 30 June 2007	**46,884**	**203,524**	**8,936**	**2,515**	**556,615**	**818,474**
2006						
Cost						
As at 1 July 2005	170,824	125,247	13,022	3,755	89,957	402,805
Additions	13,325	–	2,630	–	14,845	30,800
Acquisition of subsidiaries	–	19,479	680	–	344,473	364,632
Disposals	–	–	(684)	–	–	(684)
As at 30 June 2006	184,149	144,726	15,648	3,755	449,275	797,553
Accumulated depreciation						
As at 1 July 2005	78,352	41,134	3,293	3,588	–	126,367
Charge for the year	30,611	25,049	2,246	164	4,851	62,921
Disposals	–	–	(123)	–	–	(123)
As at 30 June 2006	108,963	66,183	5,416	3,752	4,851	189,165
Net book value						
As at 30 June 2006	75,186	78,543	10,232	3	444,424	608,388

12 CONSTRUCTION-IN-PROGRESS

This relates to costs incurred for the construction of wastewater treatment plants. Construction of these plants is expected to be completed within 2008 and 2009 where the Group will operate these wastewater treatment plants thereafter for periods ranging from 25 to 30 years.

Borrowing costs of RMB8,386,000 (2006: Nil), arising on financing specifically entered into for the construction of wastewater treatment plants, were capitalised in construction-in-progress during the financial year.

13 INVESTMENTS IN SUBSIDIARIES

	Company	
	2007	2006
	RMB'000	RMB'000
Unquoted equity shares, at cost	**261,882**	261,882

(a) Acquisition of subsidiaries

There was no acquisition of subsidiaries during the current financial year.

In the previous financial year, the Group acquired certain subsidiaries for a total consideration of RMB376 million. The acquisition was in June 2006 and no significant revenue and net profit was contributed by the acquired subsidiaries to the Group during the previous financial year. Had the acquisition occurred on 1 July 2005, revenue and net loss contributed to the Group for the previous financial year would have been RMB56,518,000 and RMB4,466,000 respectively. Further details are set out in Note A to the consolidated cash flow statement of the Group.

13 INVESTMENTS IN SUBSIDIARIES (CONT'D)

(b) Details of the subsidiaries at the end of the financial year are as follows:

Name of subsidiary and country of incorporation	Principal activities and place of business	Effective interest held by the Group 2007 %	2006 %
Held by the Company			
Ocean Force International Limited British Virgin Islands ("BVI")	Investment holding BVI	**100**	100
Held by subsidiaries			
Bio-Treat Resources Limited BVI	Investment holding BVI	**100**	100
Bio-Treat International Limited BVI	Investment holding BVI	**100**	100
Ocean Master International Limited BVI	Investment holding BVI	**100**	100
Sky Billion Limited BVI	Investment holding BVI	**100**	100
Newsussex International Limited BVI	Investment holding BVI	**100**	100
Biopower International Limited BVI	Investment holding BVI	**100**	100
True Global Limited BVI	Investment holding BVI	**100**	100
Perfect Grace Investments Limited Hong Kong	Investment holding Hong Kong	**100**	100
Golden Idea Bio-Engineering (Dongguan) Co., Ltd. PRC	Research and development of environmental protection technologies, production and wastewater treatment equipment and provision of after-sales services such as installation and maintenance PRC	**100**	100
Jinai Bio-Technology Engineering (Shanghai) Co., Ltd.(*) PRC	Research and development of environmental technologies PRC	**–**	100

13 INVESTMENTS IN SUBSIDIARIES (CONT'D)

(b) (cont'd)

Name of subsidiary and country of incorporation	Principal activities and place of business	Effective interest held by the Group 2007 %	2006 %
Held by subsidiaries (cont'd)			
Shanghai Jindi Bio-Technology Co., Ltd.(*) PRC	Research and development of BMS Biological Process Technology, provision of environmental services and design of wastewater treatment projects PRC	**–**	99
Shanghai Aidi Technology Co., Ltd.(*) PRC	Research and development of environmental technologies PRC	**–**	90
Xianyang Bai Sheng Shui Purifying Co., Ltd. PRC	Construction and operation of wastewater treatment plant for provision of wastewater treatment services PRC	**100**	100
Lianyungang King Fortune Water Co., Ltd PRC	Construction and operation of wastewater treatment plant for provision of wastewater treatment services PRC	**95**	95
Suqian City Cheng Bei Wastewater Treatment Co., Ltd. PRC	Construction and operation of wastewater treatment plant for provision of wastewater treatment services PRC	**95**	95
Suqian City Cheng Bei Water Treatment Co., Ltd. PRC	Construction and operation of wastewater treatment plant for provision of wastewater treatment services PRC	**95**	95
World Pioneer Investments Limited BVI	Investment holding BVI	**100**	100
Trademart Developments Limited BVI	Investment holding BVI	**100**	100
Kunshan Gang Dong Wastewater Treatment Co., Ltd PRC	Construction and operation of wastewater treatment plant for provision of wastewater treatment services PRC	**100**	100

13 INVESTMENTS IN SUBSIDIARIES (CONT'D)

(b) (cont'd)

Name of subsidiary and country of incorporation	**Principal activities and place of business**	**Effective interest held by the Group**	
		2007	2006
		%	%
Held by subsidiaries (cont'd)			
Hubei New Environment Water Co., Ltd PRC	Construction and operation of water treatment plant PRC	**100**	100
Bio-Treat Finance Limited Hong Kong	Investment holding Hong Kong	**100**	100
Great Lucky Holdings Group Limited Hong Kong	Investment holding Hong Kong	**64**	64
Nanjing Golden Idea Water Development Co., Ltd. PRC	Construction and operation of wastewater treatment plant for provision of wastewater treatment services PRC	**100**	100
Rich Progress Limited Hong Kong	Investment holding Hong Kong	**100**	100
Beijing Bio-Treat Water Co., Ltd (**) PRC	Construction and operation of wastewater treatment plant for provision of wastewater treatment services PRC	**100**	–
Suzhou Jin Di Water Co., Ltd (**) PRC	Construction and operation of wastewater treatment plant for provision of wastewater treatment services PRC	**100**	–
Nanjing Jin Huan Water Development Co., Ltd (**) PRC	Construction and operation of wastewater treatment plant for provision of wastewater treatment services PRC	**100**	–

- The financial statements of all the subsidiaries were audited by Moore Stephens, Singapore in accordance with FRS for consolidation purposes.
- Subsidiaries marked with (*) were deconsolidated during the current financial year. Further details are set out in Note 15.
- Subsidiaries marked with (**) were newly incorporated during the current financial year.

14 INVESTMENTS IN ASSOCIATED COMPANIES

	Group 2007 RMB'000	Group 2006 RMB'000
Unquoted equity shares, at cost	**32,351**	32,351
Less: Share of losses of associated companies	**(581)**	–
	31,770	32,351
Due from an associated company	**–**	7,370
	31,770	39,721

The amount due from an associated company, was unsecured, interest-free and not expected to be repaid in the foreseeable future.

Details of the associated companies at the end of the financial year are as follows:

Name of associated company and country of incorporation	Principal activities and place of business	Effective interest held by the Group 2007 %	Effective interest held by the Group 2006 %
Held by a subsidiary			
Aton International Environmental Investment Company Limited BVI	Investment holding BVI	**50**	50
New World (Jiangdu) Water Network Co., Ltd. PRC	Construction and operation of wastewater treatment plant for provision of wastewater treatment services PRC	**33.79**	33.79

- The financial statements of all associated companies were audited by Moore Stephens, Singapore in accordance with FRS for consolidation purposes.

The summarised financial information of associated companies are as follows:

	Group 2007 RMB'000	Group 2006 RMB'000
Assets	**116,701**	112,321
Liabilities	**(17,855)**	(12,885)
Revenue	**–**	–
Net (loss)	**(2,476)**	–

15 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2007	2006
	RMB'000	RMB'000
Fair value of investments in deconsolidated subsidiaries	**69,845**	–
Due to deconsolidated subsidiaries	**(69,845)**	–

During the current financial year, the directors of the Company were unable to obtain the accounting and other records of certain subsidiaries for the purpose of preparing the Group's consolidated financial statements, as the Group ceased to have control over the management of these subsidiaries. These subsidiaries are not material to the Group as they have ceased operations in prior years and remained inactive during the current financial year.

The directors of the Company are of the view that these entities have ceased to be subsidiaries of the Group for the reason mentioned above and accordingly they were deconsolidated from the Group's consolidated financial statements with effect from 1 July 2006.

The amounts due to deconsolidated subsidiaries are non-trade in nature, unsecured, interest-free and repayable on demand based on cash terms.

16 OTHER NON-CURRENT ASSETS

	Group	
	2007	2006
	RMB'000	RMB'000
Land use rights:		
Cost		
As at 1 July	**21,828**	–
Additions	**1,265**	21,828
As at 30 June	**23,093**	21,828
Accumulated amortisation		
As at 1 July	**459**	–
Additions	**446**	459
As at 30 June	**905**	459
Net book value		
As at 30 June	**22,188**	21,369
Deposits for acquisition of land use rights:		
As at 30 June	**50,814**	46,421
Total	**73,002**	67,790

The land use rights were paid to municipal government in the PRC for leases of land for the Group's operation of water treatment plants.

17 DEFERRED TAX ASSETS

The movement in deferred tax assets arising from the excess of tax written down value over net book value of property, plant and equipment are as follows:

	Group 2007 RMB'000	2006 RMB'000
As at 1 July	**5,332**	19,762
Credited/(Charged) to income statement	**7,880**	(14,430)
As at 30 June	**13,212**	5,332

18 CONTRACTS WORK-IN-PROGRESS

	Group 2007 RMB'000	2006 RMB'000
Aggregate costs incurred plus attributable profits	**1,025,931**	579,633
Less: Progress billings	**(900,133)**	(479,452)
	125,798	100,181
Included in the current assets under the following captions:		
– Contracts work-in-progress	**125,798**	100,181
– Advanced billings for contract works	**–**	–
	125,798	100,181

19 INVENTORIES

	Group 2007 RMB'000	2006 RMB'000
Raw materials	**181**	364

20 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables – third parties	**840,712**	723,885	**–**	–
Less: Impairment loss	**(12,600)**	(12,600)	**–**	–
Trade receivables, net	**828,112**	711,285	**–**	–
Due from subsidiaries	**–**	–	**1,864,388**	1,792,581
Due from associated company	**12,884**	–	**–**	–
Due from related parties	**33,790**	31,790	**–**	–
Sundry debtors	**–**	7,018	**–**	–
	874,786	750,093	**1,864,388**	1,792,581

Retention monies held by customers for contracts work-in-progress included in trade receivables amounted to RMB 7,320,430 (2006: RMB 63,744,000).

The amounts due from subsidiaries are non-trade in nature, unsecured, interest-free and repayable on demand based on cash terms.

The amount due from an associated company is non-trade in nature, unsecured, interest-free and repayable on demand based on cash terms.

The amounts due from related parties (the companies in which an associated company has an equity interest) were non-trade in nature, unsecured, interest-free and repayable on demand based on cash terms.

21 OTHER CURRENT ASSETS

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deposits for purchases of property, plant and equipment	**97,323**	16,100	**–**	–
Deposits for bidding and contracts secured	**63,328**	52,390	**–**	–
Sundry deposits	**1,123**	2,760	**–**	–
Prepayments	**740**	1,072	**–**	–
	162,514	72,322	**–**	–

22 CASH AND BANK BALANCES

	Group 2007 RMB'000	Group 2006 RMB'000	Company 2007 RMB'000	Company 2006 RMB'000
Cash at banks and on hand	**647,300**	299,331	**1,593**	1,693
Short-term bank deposits	**173,392**	440,520	**–**	–
	820,692	739,851	**1,593**	1,693

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprised:

	Group 2007 RMB'000	Group 2006 RMB'000
Cash and bank balances (as above)	**820,692**	739,851
Less: Restricted bank balances	**(20,234)**	(4,003)
	800,458	735,848

The restricted bank balances relate to security deposits for the construction of wastewater treatment plants and tender deposits for bidding of contracts by the Group.

Bank interest rates per annum during the financial year ranged between:

	Group 2007 %	Group 2006 %
Bank balances	**0.1 – 2.75**	0.1 – 1.2
Short-term bank deposits	**2.07 – 3.57**	1.5 – 4.22

Cash and bank balances are denominated in the following currencies:

	Group 2007 RMB'000	Group 2006 RMB'000	Company 2007 RMB'000	Company 2006 RMB'000
Singapore dollar	**1,576**	1,826	**1,575**	1,675
Hong Kong dollar	**236,210**	496,012	**12**	11
United States dollar	**208**	8,059	**6**	7
Renminbi	**582,698**	233,954	**–**	–
	820,692	739,851	**1,593**	1,693

23 SHARE CAPITAL

	Group and Company	
	2007	2006
	RMB'000	RMB'000
Issued and fully paid		
As at 1 July		
– 877,997,000 (2006: 863,000,000) ordinary shares of HK$0.40 each	**372,165**	365,806
Issue of new shares under scrip dividend scheme		
– 8,938,137 (2006: 14,997,000) ordinary shares of HK$0.40 each	**3,575**	6,359
As at 30 June		
– 886,935,385 (2006: 877,997,000) ordinary shares of HK$0.40 each	**375,740**	372,165

During the financial year, 8,938,137 (2006: 14,997,000) ordinary shares of HK$0.40 each in the Company have been allotted and issued under the Bio-Treat Technology Limited Scrip Dividend Scheme in respect of the dividend of Singapore 1.28 cents (RMB0.064) (2006: Singapore 2.34 cents) (RMB0.118)) per share for the financial year ended 30 June 2006. The newly issued shares rank pari passu in all respects with the previously issued shares.

24 RESERVES

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Share premium	**636,779**	614,422	**636,779**	614,422
Foreign currency translation reserves	**1,357**	2,152	**(795)**	–
Statutory reserves	**40,581**	20,085	**–**	–
Convertible bonds equity reserve	**77,429**	77,429	**77,429**	77,429
Retained profits	**822,382**	568,350	**12,199**	8,965
	1,578,528	1,282,438	**725,612**	700,816

(i) Share premium

The share premium account may be applied only for the purposes specified in the Companies Act 1981 of Bermuda.

(ii) Foreign currency translation reserves

The foreign currency translation reserves is used to record foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries whose functional currency is different from that of the Group's functional currency.

24 RESERVES (CONT'D)

(iii) Statutory reserves

The Group's subsidiaries which are incorporated in PRC are required to appropriate 10% of the profit arrived at in accordance with PRC General Accepted Accounting Practice for each year to a statutory reserve. The profit arrived at must be used to set off against any accumulated losses. The appropriation to statutory reserve after offsetting against any accumulated losses must be made before the distribution of dividends to shareholders. The appropriation is required until the statutory reserve reaches 50% of the registered capital. This statutory reserve is not distributable in the form of cash dividends.

(iv) Convertible bonds equity reserve

The convertible bonds equity reserve represents the difference between the net proceeds from the issuance of the convertible bonds and the fair value of the liability portion recognised.

25 CONVERTIBLE BONDS

On 13 January 2006, the Company entered into purchase agreements with various investors in relation to the issue by the Company of SGD206 million (RMB1,040,300,000) ("principal amount") zero coupon convertible bonds due on 18 January 2013 (the "CB"). The CB are redeemable by the Company at 134.23% of the principal amount on the maturity date on 18 January 2013.

Under the terms of the CB, on or at any time after 18 July 2007, and prior to 11 January 2013, the Company may redeem the CB in whole but not in part at the applicable early redemption, subject to the terms of the CB. The CB holders have the option to cause the Company to redeem the CB on 18 January 2008, 18 January 2010 and 18 January 2012 at 108.77%, 118.32% and 128.7% of the principal amount respectively.

Each CB will be convertible at the option of the holder into fully paid ordinary shares of par value HK$0.40 each (the "Conversion Shares") of the Company at the initial conversion price of S$1.30 (RMB6.565) (the "Conversion Price"). The maximum number of ordinary shares arising from full conversion of the CB based on the initial Conversion Price would be 158,461,538. The initial Conversion Price is subject to adjustments under the terms of the CB.

The conversion period commenced on 28 February 2006 and expires on 8 January 2013, subject to adjustments under the terms of the CB.

On 18 September 2006, the Conversion Price was re-set from S$1.30 to S$1.02 in accordance with the terms of the CB. Consequent to the re-set, the number of ordinary shares arising from such conversion would increase to 201,960,784, representing approximately 23% of the existing ordinary shares as at end of the financial year.

On 18 January 2007, the Conversion Price was re-set from S$1.02 to S$0.91 in accordance with the terms and conditions of the CB. Consequent to the re-set, the number of ordinary shares arising from such conversion would increase to 226,373,626, representing approximately 25.5% of the existing ordinary shares.

The Conversion Shares, when allotted and issued, will rank pari passu in all respects with the then existing ordinary shares for any dividends, rights, allotments or other distributions.

The fair value of the liability component of the CB, included under non-current liabilities, was calculated using a market interest rate of 5.5% per annum for an equivalent non-convertible loan. The residual amount, representing the value of the equity conversion component, is included in the shareholders' equity under convertible bonds equity reserve.

25 CONVERTIBLE BONDS (CONT'D)

	Group and Company RMB'000
Principal amount	1,040,300
Transaction costs	(38,024)
Net proceeds	1,002,276
Equity conversion component, net of transaction costs	(77,429)
Liability component on initial recognition	924,847

The carrying amount of the liability component of the CB at the end of the financial year is analysed as follows:

	Group and Company	
	2007	2006
	RMB'000	RMB'000
As at 1 July	**981,932**	–
Liability component on initial recognition (as above)	**–**	924,847
Expenses in relation to the issuance of convertible bonds charged to income statement	**–**	35,087
Amortisation of discount on convertible bonds	**53,472**	21,998
Currency realignment	**(9,723)**	–
As at 30 June	**1,025,681**	981,932

26 BORROWINGS

	Group 2007 RMB'000	2006 RMB'000
Current:		
Within 1 year	**17,130**	19,875
Non-current:		
Within 2 to 5 years	**183,520**	–
After 5 years	**260,880**	–
	444,400	–
Total	**461,530**	19,875
Borrowings:		
Borrowing I	**6,250**	19,875
Borrowing II	**65,280**	–
Borrowing III	**390,000**	–
	461,530	19,875

Borrowings are denominated in the following currencies:

Hong Kong dollar	**6,250**	19,875
Renminbi	**455,280**	–
	461,530	19,875

(i) Borrowing I

Borrowing I relates to a term loan facility amounting to HKD25 million (RMB26.5 million) granted by a financial institution to a subsidiary of the Group. The loan was scheduled to be repaid within 2 years, with 4 equal installments of HKD6,250,000 each to be paid bi-annually in every June and December of the year, the first installment commencing from 30 June 2006. The loan incurred effective interest at 6.48% (2006: 6.67%) per annum. The facility is secured by a corporate guarantee provided by the Company amounting to the same outstanding borrowing amount.

(ii) Borrowing II

Borrowing II relates to a term loan facility amounting to RMB65.28 million granted by a financial institution to a subsidiary of the Group to finance the subsidiary's acquisition of a water treatment plant located at Lianyungang city, PRC in the previous financial year.

26 BORROWINGS (CONT'D)

(ii) Borrowing II (cont'd)

The loan is scheduled to be repaid within 6 years, with 12 equal installments of RMB5,440,000 each to be paid bi-annually in every March and September of the year, the first installment commencing from September 2007. The loan incurred effective interest at 7.2% per annum.

The team loan facility granted to the subsidiary includes the following covenants:

- Receipts from trade receivables from the operation of the water treatment plant shall be processed through the financial institution.
- No dividends to shareholders of the subsidiary shall be declared or paid until full repayment of the loan.
- Assets of the water treatment plant shall not be pledged or assigned to third parties.

(iii) Borrowing III

Borrowing III related to a term loan facility amounting to RMB390 million granted by a financial institution to a subsidiary of the Group to finance its construction of a water treatment plant located in Suzhou city, PRC.

The loan is scheduled to be repaid, commencing from November 2008, by two equal installments of RMB30 million each over two years, followed by two equal installments of RMB40 million each in the next two years, and another five installments of RMB42 million each over five years, and a last installment of RMB40 million by November 2017. The loan incurred effective interest at 7.2% per annum.

The team loan facility granted to the subsidiary includes the following covenants:

- Receipts from trade receivables from the operation of the water treatment plant shall be processed through the financial institution.
- No dividends to shareholders of the subsidiary shall be declared or paid until full repayment of the loan.
- Assets of the water treatment plant shall not be pledged or assigned to third parties.

27 TRADE AND OTHER PAYABLES

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables – third parties	**48,195**	54,608	**–**	–
Advance receipt from customers for sale of goods	**–**	2,154	**–**	–
Accrued expenses	**10,262**	9,137	**830**	1,243
Other taxes payable	**10,588**	20,519	**–**	–
Sundry creditors	**1,361**	5,423	**–**	–
	70,406	91,841	**830**	1,243

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Hong Kong dollar	**3,130**	1,243	**830**	1,243
Renminbi	**67,276**	90,598	**–**	–
	70,406	91,841	**830**	1,243

28 DIVIDEND

	Group and Company	
	2007	2006
	RMB'000	RMB'000
Final dividend paid in respect of the previous financial period of Singapore 1.28 cents (2006: Singapore 2.34 cents) per share	**56,192**	98,467

The Board has recommended a final dividend of Singapore 0.74 cents per share to be approved by shareholders at the Company's forthcoming Annual General Meeting. These financial statements do not reflect this dividend payable, which will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ended 30 June 2008, subject to shareholders' approval at the forthcoming Annual General Meeting.

29 RELATED PARTY TRANSACTIONS

(i) Transactions with related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence on the party in making financial and operating decisions.

During the financial year, the Group had significant transactions with related parties on terms agreed between the parties as follows:

	Group	
	2007	2006
	RMB'000	RMB'000
With a company in which an associated company has an equity interest in		
– advances	**2,000**	31,790

(ii) Compensation of directors and key management personnel

	Group	
	2007	2006
	RMB'000	RMB'000
Salaries, bonus and related benefits	**5,203**	5,408
Directors' fees	**850**	809
Defined contribution plans	**36**	84
	6,089	6,301
Comprised amounts paid/payable to:		
Directors of the Company	**3,202**	3,617
Other key management personnel	**2,887**	2,684
	6,089	6,301

30 COMMITMENTS

(i) Future capital commitments

	Group	
	2007	2006
	RMB'000	RMB'000
Capital expenditure on purchase of property, plant and equipment		
– committed but not provided for in the financial statements	**343,585**	281,359
– budgeted but not contracted for	**1,200**	–
	344,785	281,359
Capital commitment in respect of a joint venture (see below)	**14,400**	–

On 15 January 2007, Bio-Treat International Limited ("BTI"), a wholly owned subsidiary of the Group, entered into joint venture ("JV") agreement with a Japanese partner to form a company to market an innovative process technology (the "Japanese Technology") for industrial wastewater treatment in the PRC.

The proposed JV company, High Results Limited, will be 60% owned by BTI and 40% owned by the Japanese partner. The total investment by BTI in the company of RMB14.4 million includes RMB5 million payable to the Japanese partner for the transfer of the Japanese Technology to the company. As at the balance sheet date, the formation of the proposed JV company is still in progress.

30 COMMITMENTS (CONT'D)

(ii) Operating lease commitments

At the balance sheet date, the Group had entered into several operating lease commitments for office premises and staff accommodations. These leases do not contain renewal options and there were no restrictions placed upon the Group by entering into these leases. At the balance sheet date, the future minimum lease payables under these non-cancellable operating leases are as follows:

	Group	
	2007	2006
	RMB'000	RMB'000
Within one year	**568**	1,471
Between two to five years	**86**	540

31 CORPORATE GUARANTEES

	Company	
	2007	2006
	RMB'000	RMB'000
Provided in respect of a term loan		
Facility granted to a subsidiary of the Group (Note 26(i))	**6,250**	19,875

The fair values of the corporate guarantees have not been recognised in the financial statements of the Company, as the amounts involved are not material to the Company and have no impact to the consolidated financial statements of the Group.

32 SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segment, is based on the Group's management and internal reporting structures.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise income-earning assets and revenue, corporate assets and expenses that cannot be directly allocated to a particular business segment.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

Business segments

The Group comprises the following main business segments:

– Best Micro-Organism System ("BMS") turnkey wastewater treatment services

– BMS product sales

– Built-Operate-Transfer ("BOT")/Transfer-Operate-Transfer ("TOT") water service fees

32 SEGMENT REPORTING (CONT'D)

(a) Business Segments

Group	BMS turnkey wastewater treatment services RMB'000	BMS product sales RMB'000	BOT/TOT discharge fees RMB'000	Total RMB'000
2007				
Revenue	1,356,740	122,572	109,426	1,588,738
Segment results	491,302	23,958	20,977	536,237
Unallocated income				1,385
Unallocated expense				(76,229)
Finance income				10,663
Finance expenses				(55,518)
Share of losses of associated companies				(581)
Profit before income tax				415,957
Income tax				(85,610)
Profit for the year				330,347
Assets and Liabilities				
Segment assets	1,030,044	93,058	1,499,237	2,622,339
Unallocated assets				985,457
Total assets				3,607,796
Segment liabilities	56,291	5,086	5,899	67,276
Unallocated liabilities				1,577,369
Total liabilities				1,644,645
Other Segment Information				
Capital expenditure				
– segment capital expenditure	4,078	3,713	525,020	532,811
– unallocated capital expenditure				194
				533,005
Depreciation				
– segment expenditure	33,731	3,047	43,535	80,313
– unallocated expenditure				1,538
				81,851

32 SEGMENT REPORTING (CONT'D)

(a) Business Segments (cont'd)

Group	BMS turnkey wastewater treatment services RMB'000	BMS product sales RMB'000	BOT/TOT discharge fees RMB'000	Total RMB'000
2006				
Revenue	1,287,164	259,890	12,628	1,559,682
Segment results	343,906	68,390	(11,270)	401,026
Unallocated income				11,722
Unallocated expense				(59,654)
Excess wastage incurred for construction-in-progress				(36,000)
Finance income				10,713
Finance expense				(62,595)
Profit before income tax				265,212
Income tax				(76,203)
Profit for the year				189,009
Assets and Liabilities				
Segment asset	855,414	151,879	922,154	1,929,447
Unallocated assets				832,839
Total assets				2,762,286
Segment liabilities	69,116	13,908	6,027	89,051
Unallocated liabilities				1,014,446
Total liabilities				1,103,497
Other Segment Information				
Capital expenditure				
– segment capital expenditure	11,264	2,583	16,704	30,551
– unallocated capital expenditure				249
				30,800
Depreciation				
– segment expenditure	37,814	7,635	15,367	60,816
– unallocated expenditure				2,105
				62,921

32 SEGMENT REPORTING (CONT'D)

(b) Geographical Segments

The Group operates predominantly in the PRC.

33 FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Group's activities exposed it to a variety of financial risks, including the effects of interest rate risk, credit risk, foreign currency risk and liquidity risk arising in the normal course of the Group's business. The Group's risk management seeks to minimise the potential adverse effects from these exposures. The management reviews and agrees policies for managing each of these risks and they are summarised below.

(i) Credit risk

At the balance sheet date, the Group has no significant concentrations of credit risk. The Group's policy is to enter into transactions with creditworthy counterparties so as to mitigate any significant credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Bank deposits are placed in financial institutions of high credit rating.

(ii) Foreign currency risk

The Group operates mainly in the PRC but has recognised assets and liabilities that are denominated in currencies other than RMB. This exposes the Group to various currency exposures, primarily with respect to the Singapore dollar and Hong Kong dollar.

Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. To manage the foreign currency risk arising from future commercial transactions and recognised assets and liabilities, the Group monitors the fluctuation in exchange rates closely to ensure that the exposure to the risk is minimised.

(iii) Interest risk

The Group's exposure to market risk for changes in interest rates mainly arises from borrowings and bank deposits.

The Group's policy is to obtain the most favorable interest rates available for the borrowings. Bank deposits are placed where the interest rates are beneficial whilst at the same time mitigate the risk of market changes in interest rates.

The table below sets out the Group's exposure to interest rate risks. Included in the table are the assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

33 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Objectives and Policies (cont'd)

(iii) Interest risk (cont'd)

	Variable rates			Fixed rates			
	Less than a year RMB'000	1 to 5 years RMB'000	More than 5 years RMB'000	Less than a year RMB'000	1 to 5 years RMB'000	Non-interest bearing RMB'000	Total RMB'000
As at 30 June 2007							
Assets							
Cash and bank balances	**173,392**	**–**	**–**	**646,888**	**–**	**412**	**820,692**
Trade and other receivables	**–**	**–**	**–**	**–**	**–**	**874,786**	**874,786**
Other financial assets	**–**	**–**	**–**	**–**	**–**	**232,359**	**232,359**
Non-financial assets	**–**	**–**	**–**	**–**	**–**	**1,679,959**	**1,679,959**
Total assets	**173,392**	**–**	**–**	**646,888**	**–**	**2,787,516**	**3,607,796**
Liabilities							
Borrowings	**17,130**	**183,520**	**260,880**	**–**	**–**	**–**	**461,530**
Convertible bonds	**–**	**–**	**–**	**–**	**–**	**1,025,681**	**1,025,681**
Trade and other payables	**–**	**–**	**–**	**–**	**–**	**140,251**	**140,251**
Non-financial liabilities	**–**	**–**	**–**	**–**	**–**	**17,183**	**17,183**
Total liabilities	**17,130**	**183,520**	**260,880**	**–**	**–**	**1,183,115**	**1,644,645**
As at 30 June 2006							
Assets							
Cash and bank balances	440,520	–	–	298,881	–	450	739,851
Trade and other receivables	–	–	–	–	–	750,093	750,093
Other financial assets	–	–	–	–	–	72,322	72,322
Non– financial assets	–	–	–	–	–	1,200,020	1,200,020
Total assets	440,520	–	–	298,881	–	2,022,885	2,762,286
Liabilities							
Borrowings	13,250	6,625	–	–	–	–	19,875
Convertible bonds	–	–	–	–	–	981,932	981,932
Trade and other payables	–	–	–	–	–	91,841	91,841
Non-financial liabilities	–	–	–	–	–	9,849	9,849
Total liabilities	13,250	6,625	–	–	–	1,083,622	1,103,497

33 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Objectives and Policies (cont'd)

(iv) Liquidity risk

In the management of its liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

(b) Fair Values

The fair value information presented represents the Group's best estimate of those values and may be subject to certain assumptions and limitations. The methodologies and assumptions used in the estimation of fair values depend on the terms and characteristics of the various financial instruments.

The Group's financial assets and liabilities included available-for-sale financial assets, trade and other receivables, other current assets, cash and cash equivalents, trade and other payables, due to deconsolidated subsidiaries, borrowings and convertible bonds. The carrying amounts of these financial assets and liabilities approximate their fair value.

statistics of shareholders

as at 17 September 2007

Authorised share capital	:	HKD800,000,000 ordinary shares
Issued and fully paid capital	:	HKD354,774,154
Class of shares	:	Ordinary share of HKD0.40 each
Number of Shares	:	886,935,385
Voting rights	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 999	530	14.38	139,231	0.02
1,000 – 10,000	2,184	59.27	11,455,242	1.29
10,001 – 1,000,000	953	25.86	34,661,070	3.91
1,000,001 AND ABOVE	18	0.49	840,679,842	94.78
TOTAL	**3,685**	**100.00**	**886,935,385**	**100.00**

On the basis of the information available to the Company, approximately 51.09% of the equity securities of the Company are held in the hands of the public. This is in compliance with Rule 723 of the Listing Manual of the SGX-ST, which requires at least 10% of a listed issuer's equity securities to be held by the public.

TWENTY LARGEST SHAREHOLDERS

	Name	No. of Shares	%
1.	DBS NOMINEES PTE LTD	204,154,312	23.02
2.	OCBC SECURITIES PRIVATE LTD	158,558,790	17.88
3.	HSBC (SINGAPORE) NOMINEES PTE LTD	103,625,661	11.68
4.	DBSN SERVICES PTE LTD	91,837,566	10.35
5.	CITIBANK NOMINEES SINGAPORE PTE LTD	86,817,113	9.79
6.	RAFFLES NOMINEES PTE LTD	51,657,316	5.82
7.	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	43,487,071	4.90
8.	PHILLIP SECURITIES PTE LTD	35,676,186	4.02
9.	UNITED OVERSEAS BANK NOMINEES PTE LTD	23,369,868	2.63
10.	FULLWAY GROUP LIMITED	12,132,000	1.37
11.	DB NOMINEES (S) PTE LTD	6,913,078	0.78
12.	MERRILL LYNCH (SINGAPORE) PTE LTD	6,901,706	0.78
13.	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	5,174,473	0.58
14.	STAR CHOICE INTERNATIONAL LIMITED	4,398,400	0.50
15.	KOH SOE KHON	1,950,000	0.22
16.	KIM ENG SECURITIES PTE. LTD.	1,818,752	0.21
17.	UOB KAY HIAN PTE LTD	1,175,052	0.13
18.	ABN AMRO NOMINEES SINGAPORE PTE LTD	1,032,498	0.12
19.	LEAP INTERNATIONAL PTE LTD	1,000,000	0.11
20.	TING TAU NAY	822,456	0.09
Total:		**842,502,298**	**94.98**

statistics of shareholders

as at 17 September 2007

	Direct Interest	%	Deemed Interest	%
Fullway Group Limited *(See note 1)*	266,805,769	30.08	6,169,421	0.70
Star Choice International Limited *(See note 2)*	6,169,421	0.70	266,805,769	30.08
Mr Wing Hak Man and Ms Yiu Ching *(See notes 1 and 2)*	272,975,190	30.78		
M&G Investment Management Ltd	–	–	63,758,275	7.19
The Capital Group Companies, Inc.	–	–	58,288,899	6.57
Franklin Resources, Inc.	–	–	54,830,612	6.18

Notes:

1. Mr Wing Hak Man ("Mr Wing") has on 7 May 2005 transferred one share representing the entire issued share capital of Fullway Group Limited ("Fullway") to Energy Castle Limited, a company incorporated in the British Virgin Islands, by way of injecting all Shares then held by Fullway in the capital of the Company into a family trust (the "Wing's Family Trust") set up by Mr Wing for the benefit of himself, his wife Ms Yiu Ching ("Ms Yiu") and Mr Wing's children. Fullway has thereby become a wholly-owned subsidiary of Energy Castle Limited.

   As at 17 September 2007, Mr. Wing is deemed to have an indirect interest in 266,805,769 Shares through Wing Enterprise Trustee Company Limited (the "Trustee"), a company incorporated in New Zealand, which holds 100% of all shares in the capital of Key Advance Limited, a company incorporated in the British Virgin Islands. Key Advance Limited in turn holds 100% of all shares in the capital of Energy Castle Limited, which holds 100% of all shares in the capital of Fullway.

   Mr Wing is also deemed to have an indirect interest in the 6,169,421 Shares held by Star Choice International Ltd ("Star Choice") as at 17 September 2007 by reason of the matters described in note (2) below.

2. Ms Yiu has on 7 May 2005 transferred one share representing the entire issued share capital of Star Choice to Herofaith Limited, a company incorporated in the British Virgin Islands, by way of injecting all shares then held by Star Choice in the capital of the Company into the Wing's Family Trust. Star Choice in the capital of the Company. Star Choice has thereby become a wholly-owned subsidiary of Herofaith Limited.

   Ms Yiu is deemed to have an indirect interest in the 6,169,421 Shares through the Trustee, which holds 100% of all shares in the capital of Key Advance Limited, which in turn holds 100% of all shares in the capital of Herofaith Limited, which in turn holds 100% of all shares in the capital of Star Choice.

   Ms Yiu is the wife of Mr Wing, Ms Yiu is also deemed to have an indirect interest in 266,805,769 Shares held by Fullway as at 17 September 2007.

notice of annual general meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Meritus Mandarin, Mandarin Court D, Level 4, 333 Orchard Road, Singapore, 238867 on Monday 29 October 2007 at 9.00 a.m. to transact the following business:

AS ORDINARY BUSINESS

1. To receive and consider the Directors' Report and Audited Financial Statements of the Company for the financial year ended 30 June 2007 and the Auditors Report thereon. **(Resolution 1)**

2. To declare a first and final dividend of Singapore 0.74 cents per ordinary share, tax not applicable, for the financial year ended 30 June 2007. **(Resolution 2)**

   (See Explanatory Note i)

3. To approve the payment of Directors' fees of S$170,000 for the financial year ended 30 June 2007. (2006:$166,000) **(Resolution 3)**

4. To re-elect the following Directors retiring pursuant to Bye-Laws 85(6) and 86(1) of the Company's Bye-Laws, and who, being eligible, will offer themselves for re-election:

   Bye-Laws 85(6)
   (a) Mr Lim Yu Neng, Paul **(Resolution 4)**
   (b) Ms Cheng Fong Yee **(Resolution 5)**

   Mr Lim Yu Neng, Paul will, upon re-election as Director of the Company, remain as a member of the Audit Committee and Nominating Committee, respectively and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

   Ms Cheng Fong Yee will, upon re-election as Director of the Company, remain as Chairman of the Remuneration Committee, and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

   Bye– Laws 86(1)
   (c) Mr Kwok Chi-Shing **(Resolution 6)**

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

5. To re-appoint Messrs Moore Stephens as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 7)**

notice of annual general meeting

AS SPECIAL BUSINESS

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

6. Authority to allot and issue shares

(a) "That, pursuant to Company's Bye-laws, and the listing rules of the Singapore Exchange Securities Trading Limited, approval be and is hereby given to the Directors of the Company at any time to such persons and upon such terms and for such purposes as the Directors may in their absolute discretion deem fit, to:

(i) issue shares in the capital of the Company whether by way of rights, bonus or otherwise;

(ii) make or grant offers, agreements or options that might or would require shares to be issued or other transferable rights to subscribe for or purchase shares (collectively, "Instruments") including but not limited to the creation and issue of warrants, debentures or other instruments convertible into shares;

(iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues; and

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

provided always that

(i) 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 50% of the Company's issued share capital, of which the aggregate number of shares (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) to be issued other than on a pro rata basis to shareholders of the Company does not exceed 20% of the issued share capital of the Company, and for the purpose of this resolution, the issued share capital shall be the Company's issued share capital at the time this resolution is passed, after adjusting for;

a) new shares arising from the conversion or exercise of convertible securities, or

b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this resolution is passed provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the Singapore Exchange Securities Trading Limited, and

c) any subsequent consolidation or subdivision of the Company's shares, and

(ii) such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier." **(Resolution 8)**

(See Explanatory Note ii)

7. Authority to allot and issue shares under the Bio-Treat Technology Limited Scrip Dividend Scheme **(Resolution 9)**

That authority be and is hereby given to the Directors to allot and issue from time to time such number of shares in the Company as may be required to be allotted and issued pursuant to the Bio-Treat Technology Limited Scrip Dividend Scheme.

(See Explanatory Note iii)

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

BY ORDER OF THE BOARD

Lotus Isabella Lim Mei Hua
Company Secretary

12 October 2007

notice of annual general meeting

Notes:

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy in his stead.

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

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

4. The instrument appointing a proxy must be deposited at the office of the Company's Singapore Share Transfer Agent, Lim Associates (Pte) Ltd at 3 Church Street, #08-01 Samsung Hub, Singapore 049483 not later than 48 hours before the time appointed for the Meeting.

Explanatory Notes:–

i. Pursuant to the Special General Meeting of the Company held on 28 October 2005, the shareholders of the Company approved the passing of the ordinary resolution relating to the "Bio-Treat Technology Limited Scrip Dividend Scheme". In the circular dated 11 October 2005, the Scrip Dividend Scheme provides members with the option to elect to receive shares in lieu of the cash amount of any dividend declared on their holding of shares.

ii. The ordinary resolution 8 proposed in item 6 is to authorise the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares and convertible securities in the Company up to an amount not exceeding in aggregate 50 percent of the issued share capital of the Company of which the total number of shares and convertible securities issued other than on a pro-rata basis to existing shareholders shall not exceed 20 percent of the issued share capital of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

iii. The Ordinary Resolution 9 proposed in item 7, if passed, will empower the Directors of the Company to allot and issue shares in the Company pursuant to the terms and conditions of the Bio-Treat Technology Limited Scrip Dividend Scheme.

BIO-TREAT TECHNOLOGY LIMITED

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