



# SINOPIPE HOLDINGS LIMITED

(Company Registration Number: 200411382N)

## Third Quarter and Nine Months Financial Statements and Dividend Announcement for the Period Ended 30 September 2015

### PART I - INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS

1(a) A statement of comprehensive income (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group			Group		
	3 months ended		%	9 months ended		%
	30.09.2015	30.09.2014	Change	30.09.2015	30.09.2014	Change
	RMB'000	RMB'000	+ / (-)	RMB'000	RMB'000	+ / (-)
<b>Revenue</b>	166,618	214,587	(22.4)	537,329	549,728	(2.3)
Cost of sales	(144,052)	(196,573)	(26.7)	(466,545)	(481,757)	(3.2)
<b>Gross profit</b>	22,566	18,014	25.3	70,784	67,971	4.1
Other income	5,543	2,447	126.6	22,215	9,550	132.6
Selling and distribution expenses	(12,699)	(19,931)	(36.3)	(39,331)	(47,703)	(17.6)
Administrative expenses	(13,474)	(18,132)	(25.7)	(39,132)	(53,236)	(26.5)
Other expenses	(1,682)	(1,843)	(8.7)	(3,235)	(4,907)	(34.1)
Finance costs	(30,214)	(29,949)	0.9	(83,880)	(80,730)	3.9
Share of results of associates	(506)	(416)	21.9	(1,936)	(973)	99.1
<b>Loss before income tax</b>	(30,466)	(49,810)	(38.8)	(74,515)	(110,028)	(32.3)
Income tax expense	(35)	54	(164.8)	71	300	(76.3)
<b>Loss for the period, representing total comprehensive loss</b>	(30,501)	(49,756)	(38.7)	(74,444)	(109,728)	(32.2)
<b>Loss, representing total comprehensive loss attributable to:</b>						
Owners of the Company	(29,107)	(48,715)	(40.3)	(71,653)	(107,562)	(33.4)
Non-controlling interests	(1,394)	(1,041)	33.9	(2,791)	(2,166)	28.9
	(30,501)	(49,756)	(38.7)	(74,444)	(109,728)	(32.2)

	Group		Group	
	3 months ended		9 months ended	
	30.09.2015	30.09.2014	30.09.2015	30.09.2014
	RMB'000	RMB'000	RMB'000	RMB'000
Amortisation of deferred capital grant	(127)	(122)	(382)	(356)
Amortisation of deferred income relating to term loan from an external party	-	-	-	(46)
Amortisation of land use rights	464	426	1,561	1,278
Depreciation of property, plant and equipment	7,809	8,321	22,793	25,006
Foreign exchange loss / (gain), net	1,794	(118)	1,741	339
(Gain) / Loss on disposal of property, plant and equipment	(258)	208	(119)	850
Government grants and subsidies	(951)	(54)	(1,516)	(726)
(Reversal of) / Provision of impairment loss on trade receivables	265	570	(4,543)	378
Interest expense				
- Loans and borrowings	30,214	29,949	83,880	80,730
Interest income				
- Bank deposits	(2,834)	(774)	(5,161)	(2,923)
Write-down / (Reversal) on inventories	251	459	(821)	(195)
Inventories written off	610	-	610	-
Operating lease expenses	898	753	2,322	2,479
Staff costs *				
- Wages, salaries and bonuses	30,105	24,757	69,174	62,441
- Pension costs	2,684	2,941	8,559	8,439
- Other staff costs	1,887	1,080	4,763	3,727

\* This amount includes directors' remuneration and remuneration of key management personnel.

**1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.**

	<b>Group</b>		<b>Company</b>	
	<b>30.09.2015</b>	<b>31.12.2014</b>	<b>30.09.2015</b>	<b>31.12.2014</b>
	RMB'000	RMB'000	RMB'000	RMB'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Land use rights	86,618	88,179	-	-
Property, plant and equipment	289,813	304,327	34	42
Goodwill	3,944	3,944	-	-
Investment in subsidiaries	-	-	38,129	38,129
Investment in associates	9,406	11,343	14,000	14,000
	<u>389,781</u>	<u>407,793</u>	<u>52,163</u>	<u>52,171</u>
<b>Current assets</b>				
Inventories	109,350	107,670	-	-
Trade and other receivables	147,015	119,161	26,430	19,676
Prepayments	33,690	17,936	47	38
Cash and bank balances	265,659	246,081	24	95
	<u>555,714</u>	<u>490,848</u>	<u>26,501</u>	<u>19,809</u>
	<u>945,495</u>	<u>898,641</u>	<u>78,664</u>	<u>71,980</u>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	313,344	313,344	313,344	313,344
Other reserves	(12,063)	(12,063)	5,316	5,316
Accumulated losses	(877,492)	(805,839)	(322,237)	(316,297)
<b>Equity attributable to owners of the Company</b>	<u>(576,211)</u>	<u>(504,558)</u>	<u>(3,577)</u>	<u>2,363</u>
<b>Non-controlling interests</b>	4,090	6,881	-	-
<b>(Capital deficiency) / Total equity</b>	<u>(572,121)</u>	<u>(497,677)</u>	<u>(3,577)</u>	<u>2,363</u>
<b>Non-current liabilities</b>				
Borrowings	110,578	126,967	-	-
Deferred capital grant	12,714	13,097	-	-
Deferred tax liabilities	7,289	7,396	-	-
	<u>130,581</u>	<u>147,460</u>	<u>-</u>	<u>-</u>
<b>Current liabilities</b>				
Trade and other payables	821,967	698,695	82,241	34,920
Borrowings	559,193	544,281	-	34,697
Deferred capital grants	511	510	-	-
Current tax payable	5,364	5,372	-	-
	<u>1,387,035</u>	<u>1,248,858</u>	<u>82,241</u>	<u>69,617</u>
Total liabilities	<u>1,517,616</u>	<u>1,396,318</u>	<u>82,241</u>	<u>69,617</u>
<b>Total equity and liabilities</b>	<u>945,495</u>	<u>898,641</u>	<u>78,664</u>	<u>71,980</u>

## 1(b)(ii) Aggregate amount of group's borrowings and debt securities.

### Amount repayable in one year or less, or on demand

Group As at 30.09.2015		Group As at 31.12.2014	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
393,080	166,113	407,360	136,921

### Amount repayable after one year

Group As at 30.09.2015		Group As at 31.12.2014	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
110,578	-	103,467	23,500

### Details of any collaterals

#### Bank loans

The bank loans are guaranteed or secured as follows:

- (a) RMB 150,880,000 (2014: RMB 107,889,000) is guaranteed by a PRC subsidiary, Fujian Aton Advanced Materials Science and Technology Co., Ltd. ("Fujian Atontech");
- (b) RMB 169,700,000 (2014: RMB 136,080,000) is guaranteed by Wang Sen, the Company's Non-Executive Chairman and is secured by land use rights and buildings with an aggregate carrying amount of RMB 38,198,000 (2014: RMB 35,946,000) and RMB 81,405,000 (2014: RMB 63,831,000), respectively;
- (c) RMB 153,078,000 (2014: RMB 201,578,000) is secured by land use rights and buildings with an aggregate carrying amount of RMB 39,247,000 (2014: RMB 30,548,000) and RMB 21,661,000 (2014: RMB 41,790,000), respectively;
- (d) RMB 30,000,000 (2014: RMB 30,000,000) is secured by plant and machinery with an aggregate carrying amount of RMB 1,622,000 (2014: RMB 1,884,000), and is also guaranteed by Fujian Atontech; and

RMB 8,208,100 (2014: RMB 23,500,000) of the bank loans is unsecured.

The bank loans of RMB 511,866,000 (2014: RMB 510,827,000) bear effective interest rates ranging from 5.06% to 10.20% (2014: 5.60% to 10.20%) per annum and have remaining maturity of between 1 and 24 (2014: 1 and 27) months from the end of the financial year.

**1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	<b>Group</b>		<b>Group</b>	
	<b>3 months ended</b>		<b>9 months ended</b>	
	<b>30.09.2015</b>	<b>30.09.2014</b>	<b>30.09.2015</b>	<b>30.09.2014</b>
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Operating activities</b>				
Loss before income tax	(30,466)	(49,810)	(74,515)	(110,028)
Adjustments:				
Amortisation of deferred capital grant	(127)	(122)	(382)	(356)
Amortisation of deferred income relating to term loan from a third party	-	-	-	(46)
Amortisation of land use rights	464	426	1,561	1,278
Depreciation of property, plant and equipment	7,809	8,321	22,793	25,006
Provision of / (Reversal of) impairment loss on doubtful trade receivables	265	570	(4,543)	378
Interest expense	30,214	29,949	83,880	80,730
Interest income	(2,834)	(774)	(5,161)	(2,923)
Gain on disposal of held-for-trading investment	-	(6)	-	(6)
(Gain) / Loss on disposal of property, plant and equipment	(258)	208	(119)	850
Inventories written off	610	-	610	-
Write-down / (Reversal) of inventories	251	459	(821)	(195)
Share of results of associates	506	416	1,937	973
Operating cash flows before movements in working capital	<u>6,434</u>	<u>(10,363)</u>	<u>25,240</u>	<u>(4,339)</u>
Movements in working capital:				
Inventories	(6,577)	9,344	(1,469)	(4,217)
Trade and other receivables	7,601	15,924	(23,311)	(17,724)
Prepayments	7,523	(12,095)	(15,754)	(23,478)
Trade and other payables	7,670	108,646	123,272	122,568
<b>Cash generated from operations</b>	<u>22,651</u>	<u>111,456</u>	<u>107,978</u>	<u>72,810</u>
Income taxes paid	(35)	(9)	(43)	(530)
<b>Net cash generated from operating activities</b>	<u>22,616</u>	<u>111,447</u>	<u>107,935</u>	<u>72,280</u>
<b>Investing activities</b>				
Acquisition of property, plant and equipment	(3,692)	(14,843)	(10,960)	(27,939)
Proceeds from disposal of property, plant and equipment	34	219	2,800	1,043
Grant received on acquisition of property, plant and equipment	-	1,000	-	1,000
Investment in held-for-trading investments	-	506	-	-
Proceeds from disposal of held-for-trading investments	-	-	-	506
Interest received	2,834	774	5,161	2,923
<b>Net cash used in investing activities</b>	<u>(824)</u>	<u>(12,344)</u>	<u>(2,999)</u>	<u>(22,467)</u>

	Group		Group	
	3 months ended		9 months ended	
	30.09.2015	30.09.2014	30.09.2015	30.09.2014
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Financing activities</b>				
Interest paid	(30,214)	(29,785)	(83,880)	(79,344)
Proceeds from borrowings	184,866	121,641	473,336	409,524
Repayment of borrowings	(170,495)	(149,670)	(474,813)	(372,569)
Pledged bank balances	(7,862)	(51,856)	(17,077)	(82,945)
<b>Net cash used in financing activities</b>	<u>(23,705)</u>	<u>(109,670)</u>	<u>(102,434)</u>	<u>(125,334)</u>
Net (decrease) / increase in cash and bank balances	(1,913)	(10,567)	2,502	(75,521)
Cash and bank balances at beginning of financial period	22,938	28,252	18,523	93,206
Cash and bank balances at end of financial period	<u>21,025</u>	<u>17,685</u>	<u>21,025</u>	<u>17,685</u>

#### Note to Consolidated Cash Flow Statement

(1) For the purpose of consolidated statement of cash flows, cash and bank balances comprises the following:

	Group	
	30.09.2015	30.09.2014
	RMB'000	RMB'000
Cash and bank balances	265,659	267,654
Less: Pledged bank balances *	(244,634)	(249,969)
	<u>21,025</u>	<u>17,685</u>

\* Pledged bank balances relate to amounts pledged to banks as security for banking facilities (including bills payable) extended to the Group.

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

**GROUP**

	<b>Share capital</b>	<b>Other reserves</b>	<b>Accumulated losses</b>	<b>Non-controlling interests</b>	<b>Total equity</b>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2015	313,344	(12,063)	(805,839)	6,881	(497,677)
Total comprehensive loss for the period	-	-	(23,777)	(1,078)	(24,855)
Balance at 31 March 2015	313,344	(12,063)	(829,616)	5,803	(522,532)
Total comprehensive loss for the period	-	-	(18,769)	(319)	(19,088)
Balance at 30 June 2015	313,344	(12,063)	(848,385)	5,484	(541,620)
Total comprehensive loss for the period	-	-	(29,107)	(1,394)	(30,501)
Balance at 30 September 2015	313,344	(12,063)	(877,492)	4,090	(572,121)

**GROUP**

	<b>Share capital</b>	<b>Other reserves</b>	<b>Accumulated losses</b>	<b>Non-controlling interests</b>	<b>Total equity</b>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2014	313,344	(12,007)	(525,594)	11,054	(213,203)
Total comprehensive loss for the period	-	-	(29,141)	(858)	(29,999)
Balance at 31 March 2014	313,344	(12,007)	(554,735)	10,196	(243,202)
Total comprehensive loss for the period	-	-	(29,706)	(267)	(29,973)
Balance at 30 June 2014	313,344	(12,007)	(584,441)	9,929	(273,175)
Total comprehensive loss for the period	-	-	(48,715)	(1,041)	(49,756)
Balance at 30 September 2014	313,344	(12,007)	(633,156)	8,888	(322,931)

**COMPANY**

	<b>Share capital</b>	<b>Reserves</b>	<b>Accumulated losses</b>	<b>Total equity</b>
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2015	313,344	5,316	(316,297)	2,363
Total comprehensive loss for the period	-	-	(737)	(737)
Balance at 31 March 2015	313,344	5,316	(317,034)	1,626
Total comprehensive loss for the period	-	-	(1,720)	(1,720)
Balance at 30 June 2015	313,344	5,316	(318,754)	(94)
Total comprehensive loss for the period	-	-	(3,483)	(3,483)
Balance at 30 September 2015	313,344	5,316	(322,237)	(3,577)
Balance at 1 January 2014	313,344	5,316	(251,156)	67,504
Total comprehensive loss for the period	-	-	(1,811)	(1,811)
Balance at 31 March 2014	313,344	5,316	(252,967)	65,693
Total comprehensive loss for the period	-	-	(1,979)	(1,979)
Balance at 30 June 2014	313,344	5,316	(254,946)	63,714
Total comprehensive loss for the period	-	-	(722)	(722)
Balance at 30 September 2014	313,344	5,316	(255,668)	62,992

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

**Share Capital**

Ordinary shares issued and fully paid-up	Number of shares	RMB'000
Balance at 30 September 2015	<u>287,594,900</u>	<u>313,344</u>

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	Company	
	30.09.2015	31.12.2014
Total number of issued shares excluding treasury shares	<u>287,594,900</u>	<u>287,594,900</u>

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period report on.

Not applicable.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has adopted all the FRSs applicable for the financial year beginning on or after 1 January 2015. The accounting policies and methods of computation are consistent with the latest audited financial statements for the financial year ended 31 December 2014. The adoption of Amendments to FRSs did not have any effect on the financial performance or position of the Group and the Company.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

None.



**6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	Group		Group	
	3 months ended	3 months ended	9 months ended	9 months ended
	30.09.2015	30.09.2014	30.09.2015	30.09.2014
Loss per ordinary share for the period:				
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Loss attributable to shareholders (basic)	(29,107)	(48,715)	(71,653)	(107,562)
Add: Amortisation of discount on convertible loans	-	725	-	1,294
Loss attributable to shareholders (diluted)	(29,107)	(47,990)	(71,653)	(106,268)
	<b>'000</b>	<b>'000</b>	<b>'000</b>	<b>'000</b>
<b>Weighted average number of ordinary shares (basic)</b>				
Issued ordinary shares at beginning of period	287,595	287,595	287,595	287,595
Weighted average number of ordinary shares (basic)	287,595	287,595	287,595	287,595
<b>Weighted average number of ordinary shares (diluted)</b>				
Weighted average number of ordinary shares (basic)	287,595	287,595	287,595	287,595
Effect of dilution from convertible loans	-	32,500	-	32,500
Weighted average number of ordinary shares (diluted)	287,595	320,095	287,595	320,095
Basic and Diluted Loss per Share (RMB cents)	(10.12)	(16.94)	(24.91)	(37.40)

**7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on; and (b) immediately preceding financial year.**

	Group		Company	
	30.09.2015	31.12.2014	30.09.2015	31.12.2014
Net asset value per ordinary share (RMB cents)	(198.93)	(173.05)	(1.24)	0.82

Net asset value per ordinary share was calculated based on the total number of issued shares excluding treasury shares of 287,594,900 as at 30 September 2015 and 31 December 2014.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

## **Income Statement**

### **3Q2015 vs 3Q2014**

#### **Revenue**

The breakdown of our revenue is as follows:

	<b>3 months ended</b>		<b>Increase /</b>	<b>Increase /</b>
	<b>30.09.2015</b>	<b>30.09.2014</b>	<b>(Decrease)</b>	<b>(Decrease)</b>
	RMB'000	RMB'000	RMB'000	%
Plastic pipe				
- Water supply	56,091	80,918	(24,827)	(30.7)
- Drainage and sewerage	80,838	111,486	(30,648)	(27.5)
- Telecommunication and electrical	26,180	16,019	10,161	63.4
- Water-saving irrigation	1,306	4,544	(3,238)	(71.3)
- Fuel gas	2,203	1,620	583	36.0
	<u>166,618</u>	<u>214,587</u>	<u>(47,969)</u>	<u>(22.4)</u>

Revenue decreased by RMB 48.0 million or 22.4% from RMB 214.6 million in 3Q 2014 to RMB 166.6 million in 3Q 2015. The decrease was mainly due to lower sales from Water supply segment as well as Drainage and sewerage segment mainly because of further deterioration of properties development market in the PRC.

#### **Gross profit and gross profit margin**

Gross profit was RMB 22.6 million in 3Q 2015 compared to RMB 18.0 million in 3Q 2014, an increase by RMB 4.6 million or 25.3% mainly due to higher profit margins in the current quarter under review. Profit margins were significantly lower in 3Q2014 mainly because material costs were significantly higher due to oil price hike.

#### **Other income**

Other income increased by RMB 3.1 million from RMB 2.4 million in 3Q 2014 to RMB 5.5 million in 3Q 2015 mainly due to higher interest income from bank deposits by RMB 2.1 million and higher receipt of government grant by RMB 897,000.

#### **Selling and distribution expenses**

Selling and distribution expenses decreased by RMB 7.2 million or 36.3% from RMB 19.9 million in 3Q 2014 to RMB 12.7 million in 3Q 2015 mainly attributable to lower:

- Staff salaries by RMB 1.8 million;
- Transportation expenses by RMB 1.9 million;
- Advertising expenses by RMB 1.1 million;
- Travelling expenses by RMB 429,000;
- Quality servicing and handling expenses by RMB 753,000; and
- Stock damages by RMB 1.0 million.

#### **Administrative expenses**

Administrative expenses was RMB 13.5 million in 3Q 2015 compared to RMB 18.1 million in 3Q 2014, a decrease by RMB 4.6 million or 25.7% mainly due to lower staff salaries and related expenses by RMB 3.4 million.

### **Other expenses**

Other expenses decreased by RMB 161,000 or 8.7% from RMB 1.8 million in 3Q 2014 to RMB 1.7 million in 3Q 2015.

### **Finance costs**

Finance cost increased marginally by 0.9% or RMB 265,000 from RMB 29.9 million in 3Q 2014 to RMB 30.2 million in 3Q 2015.

### **Share of results of associates**

Share of losses of associates increased by RMB 90,000 from RMB 416,000 in 3Q 2014 to RMB 507,000 in 3Q 2015 mainly because the Company's main associated company, Yunnan Aton High Molecular Materials Technology Co., Ltd reported higher operating losses than the corresponding period.

### **Income tax expense**

Income tax expense in 3Q 2015 was RMB 35,000 compared to income tax in credit amount of RMB 54,000 in 3Q 2014 which comprised mainly deferred tax credit amounting to RMB 27,000 recognised on the amortisation of discount on a convertible loan amounted to RMB 27,000 and tax credit effect of RMB 26,000 on depreciation charge for non-current assets arising from acquisition of a subsidiary in the prior year.

### **Loss for the period**

As a result of the above, loss for the period decreased by RMB 19.3 million or 38.7% from RMB 49.8 million in 3Q 2014 to RMB 30.5 million in 3Q 2015.

## **Financial position**

### **Non-current assets**

As at 30 September 2015, non-current assets amounted to RMB 389.8 million, a decrease of RMB 18.0 million or 4.4% compared to the preceding financial year ended as at 31 December 2014. The decrease was mainly because of decrease in net book value of property, plant and equipment due to depreciation charges.

### **Current assets**

Current assets amounted to RMB 555.7 million, an increase of RMB 64.9 million or 13.2% compared to the preceding financial year ended as at 31 December 2014. The increase was mainly due to increase in trade and other receivables by RMB 27.9 million, prepayments by RMB 15.8 million and cash and bank balances by RMB 19.6 million. The increase in trade and other receivables was mainly due to increase in non-trade and other receivables by RMB 20.4 million.

### **Current liabilities**

Current liabilities amounted to RMB 1.4 billion, an increase of RMB 138.2 million or 11.1% compared to the preceding financial year end as at 31 December 2014. The increase was mainly due to higher trade and other payables by RMB 123.3 million and borrowings by RMB 14.9 million. The increase in trade and other payables was mainly due to increase in trade payables by RMB 45.1 million, bills payable by RMB 35.5 million, advances from customers by RMB 19.4 million as well as accrued expenses by RMB 24.1 million.

### **Non-current liabilities**

Non-current liabilities amounted to RMB 130.6 million, a decrease of RMB 16.9 million or 11.4% compared to the preceding financial year end as at 31 December 2014 mainly due to lower borrowings.

### **Shareholders' equity**

Capital deficiency amounted to RMB 572.1 million, an increase of RMB 74.4 million or 15.0% as a result of net loss incurred in FY2015.

## **Cash Flows**

The Group registered net cash generated from operating activities of RMB 22.6 million in 3Q 2015.

Net cash used in investing activities in 3Q 2015 amounted to RMB 824,000. This was mainly for the acquisition of property, plant and equipment of RMB 3.7 million offset by interest receipt of RMB 2.8 million.

Net cash used in financing activities in 3Q 2015 amounted to RMB 23.7 million. This was mainly due to interest payment of RMB 30.2 million and increase in pledged bank balance of RMB 7.9 million offset by net borrowings of RMB 14.4 million.

As at 30 September 2015, the Group had a cash and cash equivalents of RMB 21.0 million.

## **Going concern**

As at 30 September 2015, the Group and the Company were in net current liability position of RMB 831.3 million and RMB 55.7 million respectively. The Group and the Company were also in capital deficiency amounting to RMB 572.1 million and RMB 3.6 million respectively. In addition, the Group incurred net loss of RMB 74.4 million for the nine months financial period ended 30 September 2015. The ability of the Group and Company to meet the financial obligations and to continue as going concern depend, foremost, on their ability to secure continuing banking facilities from the banks and to continue generating sufficient operating cash flows to meet the operating needs.

Notwithstanding the above, Management is confident the going concern issue will be sufficiently addressed based on the following:

- (a) The Group is able to continue securing banking facilities from its banks. Management has been in negotiations with various PRC banks to obtain financing for the Group's operations. The PRC authorities have been easing credit control to address China's economic slow-down which the Group will benefit from easier access to the required funding to meet its current and projected operational needs; and
- (b) The Group and Company will be able to continue generating sufficient operating cash flows to fund their working capital needs.
- (c) The Group will be able to dispose of the land use rights of one its PRC subsidiaries for capital gain and this will enable the Group to reduce its borrowings.

## **9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

In line with the prospect statement made in 2Q 2015.

## **10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

Plastic pipe market in the PRC remains highly competitive and the Group expects some downward pressure on the selling prices in the near future. The Group will continue to step up its efforts in cost controls and streamlining its operations to stay competitive.

Management is contemplating to sell the land use rights of one its PRC subsidiaries for capital gain and cash.

## **11. Dividend**

### **(a) Current Financial Period Reported On**

Any dividend declared for the current financial period reported on?

None.

### **(b) Corresponding Period of the Immediately Preceding Financial Year**

Any dividend declared for the corresponding period of the immediately preceding financial year?

None

### **(c) Date payable**

Not applicable.

### **(d) Books closure date**

Not applicable.

## **12. If no dividend has been declared / recommended, a statement to that effect.**

No dividend has been declared / recommended for the three months period ended 30 September 2015.

## **13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transaction as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

The Group does not have a general mandate from shareholders for Interested Person Transactions.

## **BY ORDER OF THE BOARD OF DIRECTORS**

Dr Pu Weidong  
Chief Executive Officer and Executive Director  
Sinopipe Holdings Limited

12 November 2015

**Confirmation by the Board pursuant to Rule 705(5) of the Listing Manual**

We, being two directors of Sinopipe Holdings Limited (the “Company”), hereby confirm that, to the best of our knowledge, nothing has come to the attention of the board of directors which may render the financial results of the Company and the Group for the financial quarter ended 30 September 2015 to be false or misleading in any material aspect.

For and on behalf of the  
Board of Directors of  
Sinopipe Holdings Limited

Dr Pu Weidong  
Chief Executive Officer and Executive Director

Mr Wang Sen  
Non-Executive and Non-Independent Chairman

12 November 2015