



SINOPIPE HOLDINGS LIMITED

(Company Registration Number: 200411382N)

Second Quarter and Half Year Financial Statements and Dividend Announcement for the Period Ended 30 June 2014

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 3 months ended			Group 6 months ended		
	30.06.2014	30.06.2013	% Change	30.06.2014	30.06.2013	% Change
	RMB'000	RMB'000	+ / (-)	RMB'000	RMB'000	+ / (-)
Revenue	282,744	204,581	38.2	432,613	347,436	24.5
Cost of sales	(250,720)	(169,464)	47.9	(384,624)	(292,020)	31.7
Gross profit	32,024	35,117	(8.8)	47,989	55,416	(13.4)
Other income	2,527	1,635	54.6	7,103	4,977	42.7
Selling and distribution expenses	(17,760)	(15,350)	15.7	(27,772)	(26,917)	3.2
Administrative expenses	(17,174)	(17,353)	(1.0)	(33,136)	(34,671)	(4.4)
Other expenses	(2,623)	(1,229)	113.4	(3,064)	(2,012)	52.3
Finance costs	(27,369)	(24,360)	12.4	(50,781)	(42,551)	19.3
Share of results of associates	(220)	(97)	126.8	(557)	(189)	194.7
Loss before income tax	(30,595)	(21,637)	41.4	(60,218)	(45,947)	31.1
Income tax expense	622	(1,199)	(151.9)	246	(1,127)	(121.8)
Loss for the period, representing total comprehensive loss	(29,973)	(22,836)	31.3	(59,972)	(47,074)	27.4
Loss, representing total comprehensive loss attributable to:						
Owners of the Company	(29,706)	(22,376)	32.8	(58,847)	(46,331)	27.0
Non-controlling interests	(267)	(460)	(42.0)	(1,125)	(743)	51.4
	(29,973)	(22,836)	31.3	(59,972)	(47,074)	27.4

	Group 3 months ended		Group 6 months ended	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
	RMB'000	RMB'000	RMB'000	RMB'000
Amortisation of deferred capital grant	(116)	(82)	(234)	(166)
Amortisation of deferred income relating to term loan from an external party	(46)	-	(46)	-
Amortisation of land use rights	427	670	852	1,353
Depreciation of property, plant and equipment	8,509	9,087	16,685	18,235
Foreign exchange loss / (gain), net	62	(90)	457	(102)
Loss on disposal of property, plant and equipment	598	363	642	359
Government grants and subsidies	(562)	(639)	(672)	(1,712)
(Reversal of) / Provision of impairment loss on trade receivables	(54)	337	(192)	379
Interest expense				
- Loans and borrowings	27,370	24,361	50,782	42,552
Interest income				
- Bank deposits	(1,337)	(426)	(2,149)	(1,071)
(Reversal) / Write-down on inventories	(6)	(15)	(654)	210
Operating lease expenses	891	652	1,726	1,682
Staff costs *				
- Wages, salaries and bonuses	22,471	21,108	37,684	38,409
- Pension costs	2,810	2,346	5,498	4,730
- Other staff costs	1,507	1,600	2,647	3,113

* 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.

	Group		Company	
	30.06.2014	31.12.2013	30.06.2014	31.12.2013
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Land use rights	72,390	73,242	-	-
Property, plant and equipment	312,415	317,470	48	44
Goodwill	3,944	3,944	-	-
Investment in subsidiaries	-	-	188,694	188,694
Investment in associates	13,233	13,790	14,000	14,000
Deferred tax assets	616	616	-	-
	<u>402,598</u>	<u>409,062</u>	<u>202,742</u>	<u>202,738</u>
Current assets				
Inventories	123,639	109,424	-	-
Held-for-trading investments	500	500	-	-
Trade and other receivables	367,262	323,392	19,767	19,612
Prepayments	35,620	24,237	-	87
Cash and bank balances	216,335	260,229	12	153
	<u>743,356</u>	<u>717,782</u>	<u>19,779</u>	<u>19,852</u>
	<u>1,145,954</u>	<u>1,126,844</u>	<u>222,521</u>	<u>222,590</u>
EQUITY AND LIABILITIES				
Equity				
Share capital	313,344	313,344	313,344	313,344
Other reserves	(12,007)	(12,007)	5,316	5,316
Accumulated losses	(584,441)	(525,594)	(254,946)	(251,156)
Equity attributable to owners of the Company	<u>(283,104)</u>	<u>(224,257)</u>	<u>63,714</u>	<u>67,504</u>
Non-controlling interests	9,929	11,054	-	-
(Capital deficiency) / Total equity	<u>(273,175)</u>	<u>(213,203)</u>	<u>63,714</u>	<u>67,504</u>
Non-current liabilities				
Borrowings	114,578	114,495	-	33,403
Deferred capital grant	11,396	11,668	-	-
Deferred tax liabilities	7,475	7,722	28	220
	<u>133,449</u>	<u>133,885</u>	<u>28</u>	<u>33,623</u>
Current liabilities				
Trade and other payables	689,877	675,954	124,245	121,463
Borrowings	591,940	525,862	34,534	-
Deferred capital grants	456	419	-	-
Current tax payable	3,407	3,927	-	-
	<u>1,285,680</u>	<u>1,206,162</u>	<u>158,779</u>	<u>121,463</u>
Total liabilities	<u>1,419,129</u>	<u>1,340,047</u>	<u>158,807</u>	<u>155,086</u>
Total equity and liabilities	<u>1,145,954</u>	<u>1,126,844</u>	<u>222,521</u>	<u>222,590</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 30.06.2014		Group As at 31.12.2013	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
422,621	169,319	444,801	81,061

Amount repayable after one year

Group As at 30.06.2014		Group As at 31.12.2013	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
114,578	-	81,092	33,403

Details of any collaterals

Loans and borrowings

The bank loans are guaranteed or secured as follows:

- (a) RMB 105,000,000 (2013: RMB 114,000,000) is guaranteed by a PRC subsidiary, Fujian Aton Advanced Materials Science and Technology Co., Ltd. ("Fujian Atontech");
- (b) RMB 170,670,000 (2013: RMB 65,675,000) 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 25,046,000 (2013: RMB 1,446,000) and RMB 79,141,000 (2013: RMB 20,050,000), respectively;
- (c) RMB 138,078,000 (2013: RMB 224,578,000) is secured by land use rights and buildings with an aggregate carrying amount of RMB 34,543,000 (2013: RMB 56,907,000) and RMB 39,631,000 (2013: RMB 66,911,000), respectively;
- (d) RMB 50,000,000 (2013: RMB 41,130,000) is secured by trade receivables with an aggregate carrying amount of RMB 64,667,000 (2013: RMB 37,968,000);
- (e) RMB 50,000,000 (2013: RMB 55,000,000) is secured by plant and machinery with an aggregate carrying amount of RMB 36,647,000 (2013: RMB 8,728,000), and is also guaranteed by Fujian Atontech; and

RMB 23,451,000 (2013: RMB 23,451,000) of the bank loans is unsecured.

The bank loans of RMB 537,199,000 (2013: RMB 523,829,000) bear effective interest rates ranging from 5.60% to 12.00% (2013: 5.85% to 7.28%) per annum and have remaining maturity of between 1 and 36 (2013: 1 and 39) months from the end of the financial year.

Convertible loans

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

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

The subscribers shall have the option to convert the convertible loans into ordinary shares of the Company at a conversion price of RMB 1.0676.

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

Company shall not prepay the convertible loans unless agreed otherwise in writing with the subscribers.

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

The values of the liability component and equity component were determined at the issuance of the convertible loans.

On 26 July 2012, conversion loans amounted to RMB 34,697,000 was converted at the conversion price and 32,500,000 new ordinary shares in the Company were allotted and issued to the subscriber. The conversion of the remaining balance of convertible loans amounting to RMB 34,697,000 did not take place fully or partially before the maturity date on 28 July 2014. The subscriber had agreed to grant an extension to the Company till 30 October 2014 at nil interest to repay the outstanding loan amount.

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

	Group and Company	
	As at	As at
	30.06.2014	31.12.2013
	RMB'000	RMB'000
Liability component		
- Balance at beginning of the period / year	28,292	28,292
Add: Accumulated amortisation of discount		
- Balance at beginning of the period / year	5,111	2,914
- Amortisation of discount during the period	<u>1,132</u>	<u>2,197</u>
- Balance at end of the period / year	<u>6,243</u>	<u>5,111</u>
Carrying amount	<u><u>34,535</u></u>	<u><u>33,403</u></u>

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

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

	Group		Group	
	3 months ended		6 months ended	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
	RMB'000	RMB'000	RMB'000	RMB'000
Operating activities				
Loss before income tax	(30,595)	(21,637)	(60,218)	(45,947)
Adjustments:				
Amortisation of deferred capital grant	(116)	(82)	(234)	(166)
Amortisation of deferred income relating to term loan from a third party	(46)	-	(46)	-
Amortisation of land use rights	427	670	852	1,353
Depreciation of property, plant and equipment	8,509	9,087	16,685	18,235
(Reversal of) / Provision of impairment loss on doubtful trade receivables	(54)	337	(192)	379
Interest expense	27,367	24,361	50,779	42,552
Interest income	(1,337)	(426)	(2,149)	(1,071)
Gain on disposal of a subsidiary	-	-	-	(785)
Loss on disposal of property, plant and equipment	598	363	642	359
(Reversal) Write-down of inventories	(6)	(15)	(654)	210
Share of results of associates	220	97	557	189
Operating cash flows before movements in working capital	4,967	12,755	6,022	15,308
Movements in working capital:				
Inventories	(10,289)	3,314	(13,561)	115
Trade and other receivables	34,232	(72,212)	(33,648)	(122,780)
Prepayments	(1,650)	24,893	(11,383)	29,608
Trade and other payables	(66,092)	120,015	13,922	176,732
Cash (used in) / generated from operations	(38,832)	88,765	(38,648)	98,983
Income taxes paid	-	(631)	(519)	(1,042)
Net cash (used in) / generated from operating activities	(38,832)	88,134	(39,167)	97,941
Investing activities				
Acquisition of property, plant and equipment	(9,484)	(6,823)	(13,096)	(9,649)
Proceeds from disposal of property, plant and equipment	820	8	824	8
Investment in held-for-trading investments	-	(200)	-	(400)
Interest received	1,337	426	2,149	1,071
Net cash outflow from disposal of a subsidiary	-	-	-	(619)
Net cash used in investing activities	(7,327)	(6,589)	(10,123)	(9,589)

	Group 3 months ended		Group 6 months ended	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
	RMB'000	RMB'000	RMB'000	RMB'000
Financing activities				
Interest paid	(26,710)	(23,830)	(49,559)	(41,495)
Proceeds from borrowings	115,180	195,630	287,883	322,129
Repayment of borrowings	(46,910)	(140,929)	(222,899)	(250,606)
Pledged bank balances	(11,059)	(121,795)	(31,089)	(128,933)
Net cash generated from / (used in) financing activities	30,501	(90,924)	(15,664)	(98,905)
Net decrease in cash and bank balances	(15,658)	(9,379)	(64,954)	(10,553)
Cash and bank balances at beginning of financial period	43,910	59,061	93,206	60,235
Cash and bank balances at end of financial period	28,252	49,682	28,252	49,682

Note to Consolidated Cash Flow Statement

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

	Group	
	30.06.2014	30.06.2013
	RMB'000	RMB'000
Cash and bank balances	216,335	234,778
Less: Pledged bank balances *	(188,083)	(185,096)
	28,252	49,682

* 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

	Share capital	Other reserves	Accumulated losses	Non-controlling interests	Total equity
	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)

GROUP

	Share capital	Other reserves	Accumulated losses	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2013	313,344	(12,007)	(362,925)	27,716	(33,872)
Disposal of a subsidiary	-	-	-	(11,287)	(11,287)
Total comprehensive loss for the period	-	-	(23,955)	(283)	(24,238)
Balance at 31 March 2013	313,344	(12,007)	(386,880)	16,146	(69,397)
Total comprehensive loss for the period	-	-	(22,376)	(460)	(22,836)
Balance at 30 June 2013	313,344	(12,007)	(409,256)	15,686	(92,233)

COMPANY

	Share capital	Reserves	Accumulated losses	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000
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
Balance at 1 January 2013	313,344	5,316	(18,958)	299,702
Total comprehensive loss for the period	-	-	(1,958)	(1,958)
Balance at 31 March 2013	313,344	5,316	(20,916)	297,744
Total comprehensive loss for the period	-	-	(1,029)	(1,029)
Balance at 30 June 2013	313,344	5,316	(21,945)	296,715

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 June 2014	287,594,900	313,344

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	
	30.06.2014	31.12.2013
Total number of issued shares excluding treasury shares	287,594,900	287,594,900

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 2014. The accounting policies and methods of computation are consistent with the latest audited financial statements for the financial year ended 31 December 2013. 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.

Not applicable.

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		6 months ended	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
Loss per ordinary share for the period:				
	RMB'000	RMB'000	RMB'000	RMB'000
Loss attributable to shareholders (basic)	(29,706)	(22,376)	(58,847)	(46,331)
Add: Amortisation of discount on convertible loans	569	532	1,132	1,057
Loss attributable to shareholders (diluted)	(29,137)	(21,844)	(57,715)	(45,274)
	'000	'000	'000	'000
Weighted average number of ordinary shares (basic)				
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
Weighted average number of ordinary shares (diluted)				
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	32,500	32,500
Weighted average number of ordinary shares (diluted)	320,095	320,095	320,095	320,095
Basic and Diluted Loss per Share (RMB cents)	(10.33)	(7.78)	(20.46)	(16.1)

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	
	30.06.2014	31.12.2013	30.06.2014	31.12.2013
Net asset value per ordinary share (RMB cents)	(94.99)	(74.13)	22.15	23.47

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 June 2014 and 31 December 2013.

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

2Q2014 vs 2Q2013

Revenue

The breakdown of our revenue is as follows:

	3 months ended		Increase /	Increase /
	30.06.2014	30.06.2013	(Decrease)	(Decrease)
	RMB'000	RMB'000	RMB'000	%
Plastic pipe				
- Water supply	186,632	104,851	81,781	78.0
- Drainage and sewerage	65,451	57,810	7,641	13.2
- Telecommunication and electrical	24,399	36,381	(11,982)	(32.9)
- Water-saving irrigation	2,792	1,175	1,617	137.6
- Fuel gas	3,470	4,364	(894)	(20.5)
	<u>282,744</u>	<u>204,581</u>	<u>78,163</u>	<u>38.2</u>

Revenue increased by RMB 78.2 million or 38.2% from RMB 204.6 million in 2Q2013 to RMB 282.7 million in 2Q2014. The increase was due to higher sales from all segments except the telecommunication and electrical and fuel gas segments.

Gross profit and gross profit margin

Gross profit decreased by RMB 3.1 million or 8.8% mainly due to lower gross profit margins caused by higher materials costs.

Other income

Other income increased by RMB 892,000 or 54.6% from RMB 1.6 million in 2Q2013 to RMB 2.5 million in 2Q2014 mainly due to higher interest income earned on bank deposits.

Selling and distribution expenses

Selling and distribution expenses increased by RMB 2.4 million or 15.7% from RMB 15.4 million in 2Q2013 to RMB 17.8 million in 2Q2014 and was attributable to the following higher expenses:

- Salaries of sales and marketing staff by RMB 763,000;
- Transportation expenses by RMB 319,000;
- Advertising and sales promotions expenses by RMB 808,000;
- Rental fee by RMB 210,000 and
- Quality servicing and handling expenses by RMB 491,000.

The increase of the above expenses was partially offset by lower travelling expenses by RMB 160,000.

Administrative expenses

Administrative expenses remained stable at RMB 17.2 million in 2Q 2014 compared to RMB 17.4 million in 2Q 2013.

Other expenses

Other expenses increased by RMB 1.4 million or 113.4% from RMB 1.2 million in 2Q2013 to RMB 2.6 million in 2Q2014 mainly due to higher research expenses by RMB 894,000 and higher loss on disposal of property, plant and equipment by RMB 235,000.

Finance costs

Finance cost increased by RMB 3.0 million or 12.4% from RMB 24.4 million in 2Q2013 to RMB 27.4 million in 2Q2014 mainly due to higher interest rates charged on loans and borrowings.

Share of results of associates

Share of losses of associates increased by RMB 123,000 from RMB 97,000 in 2Q2013 to RMB 220,000 in 2Q2014 mainly because of higher operating losses incurred by an associate, Yunnan Aton High Molecular Materials Technology Co., Ltd.

Income tax expense

Income tax expense in 2Q2014 was a credit amount of RMB 622,000 of which:

- RMB 96,000 was related to the deferred tax credit recognised on the amortisation of discount on the convertible loan;
- RMB 26,000 was related to the income tax effect of the incremental depreciation on fair value write-up of property, plant and equipment arising from acquisition of a subsidiary and
- RMB 500,000 was reversal of provision for income tax.

Loss for the period

As a result of the above, loss for the period increased by RMB 7.1 million or 31.3% from RMB 22.8 million in 2Q2013 to RMB 30.0 million in 2Q2014.

Financial position

Non-current assets

As at 30 June 2014, non-current assets amounted to RMB 402.6 million, a decrease of RMB 6.5 million or 1.6% compared to the preceding financial year ended as at 31 December 2013. This decrease was due to decrease in net book value of property, plant and equipment and land use rights due to depreciation and amortization as well as investment in associates.

Current assets

Current assets amounted to RMB 743.4 million, an increase of RMB 25.6 million or 3.6% compared to the preceding financial year ended as at 31 December 2013. This increase was mainly due to increase in trade and other receivables, inventories and prepayments partially offset by lower cash and bank balances.

Current liabilities

Current liabilities amounted to RMB 1.3 billion, an increase of RMB 79.5 million or 6.6% compared to the preceding financial year end as at 31 December 2013. The increase was mainly due to higher borrowings as well as trade and other payables.

Non-current liabilities

Non-current liabilities amounted to RMB 133.4 million, a marginal decrease of RMB 436,000 or 0.3% compared to the preceding financial year end as at 31 December 2013.

Shareholders' equity

Capital deficiency amounted to RMB 273.2 million, an increase of RMB 60.0 million or 28.1% as a result of net loss made in HY2014.

Cash Flows

The Group registered net cash outflows from operating activities of RMB 38.8 million in 2Q2014 mainly due to higher inventories held for sales orders pending delivery by RMB 10.3 million and lower trade and other payables by RMB 66.1 million offset by lower trade and other receivables by RMB 34.2 million due to better debt collection.

Net cash used in investing activities amounted to RMB 7.3 million mainly for the acquisition of property, plant and equipment.

Net cash inflow of RMB 30.5 million from financing activities was mainly due to net proceeds from borrowings by RMB 68.3 million offset by interest paid of RMB 26.7 million and increase in pledged bank balance of RMB 11.1 million.

As at 30 June 2014, the Group had a cash and cash equivalents of RMB 28.3 million.

As at 30 June 2014, the Group was in net liability position and the Group and the Company were in net current liability position and incurred net loss for the financial period ended 30 June 2014:

- (a) The Group will be able to continue to obtain financial support from its bankers. Management has been in negotiation with various PRC banks to obtain financing for the Group's operations. The Group has secured loans and received indicative terms from the PRC banks and trade financing amounting to RMB 252 million and RMB 50 million respectively in 2014;
- (b) The Group has due from contract customers from the completed built-transfer projects amounting to RMB 174.7 million which will be collected in the next few years. The Group will also step up its efforts on collection from the trade receivables including taking legal action if necessary;
- (c) The Group is likely to benefit from the favourable plastic pipe industry outlook due to continuing urbanisation activities in China in the next few years; and
- (d) The subscriber of the convertible loans which matured on 28 July 2014 had agreed to grant an extension to the Company till 30 October 2014 at nil interest to repay the outstanding loan amount.

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 1Q 2014.

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.

The Group believes that demand for plastic pipes products will remain strong due to China's continuing urbanization that will require investments in infrastructure. However, the plastic pipe industry in China is expected to remain competitive. Raw material prices are expected to remain high and therefore the Group would expect some downward pressure on the profit margins in the coming months.

The Group will focus on expanding its distribution network and marketing efforts to gain more share of the plastic pipe market. Management will continue to implement cost control measures, monitor and manage cash flows closely to ensure that the Group has sufficient cash for its operational requirements. The Group will also be

looking into the repayment of the outstanding loan amount of the convertible loans which the subscriber had agreed to extend the repayment date till 30 October 2014 at nil interest.

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 June 2014.

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

11 August 2014

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 June 2014 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

11 August 2014