



SINOPIPE HOLDINGS LIMITED

(Company Registration Number: 200411382N)

First Quarter Financial Statements and Dividend Announcement for the Period Ended 31 March 2018

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		%
	31.3.2018	31.3.2017	Change
	RMB'000	RMB'000	+ / (-)
Revenue	-	-	n.m.
Cost of sales	-	-	n.m.
Gross profit	-	-	n.m.
Other income	-	-	n.m.
Selling and distribution expenses	-	-	n.m.
Administrative expenses	(439)	(276)	59.0
Other expenses	-	-	n.m.
Finance costs	-	-	n.m.
Share of results of associates	-	-	n.m.
Loss before income tax	(439)	(276)	59.0
Income tax expense	-	-	n.m.
Loss for the period from continuing operations	(439)	(276)	59.0
Discontinued operations			
Loss for the period from discontinued operations ^{Note (1)}	(7,753)	(10,475)	(26.0)
Loss for the period, representing total comprehensive loss	(8,192)	(10,751)	(23.8)
Loss, representing total comprehensive loss attributable to:			
Owners of the Company	(7,692)	(9,531)	(19.3)
Non-controlling interests	(500)	(1,220)	(59.0)
	(8,192)	(10,751)	(23.8)

Note (1):

The Company announced on 3 April 2017 that the Company, together with its wholly-owned subsidiaries, Best Connect Resources Limited, Eagle Super Associates Limited and One Sea Development Ltd., had entered into a sale and purchase agreement with Fujian Yatong Construction Material Limited (the “**Purchaser**”) on 31 March 2017 and the Supplemental Agreement signed on 13 February 2018 for the disposal of the shares and equity interest in the subsidiaries of the Company in the People’s Republic of China (the “**PRC**”) (the “**Proposed Disposal**”).

The Proposed Disposal was approved by the Shareholders at the Extraordinary General Meeting held on 24 November 2017. In view of the Proposed Disposal, the financial and operating results for the first quarter ended 31 March 2018 of the subsidiaries to be disposed of are classified and presented separately as discontinued operations under the FRS 105 of the Financial Reporting Standards of Singapore as follows:

	Group		
	3 months ended		%
	31.3.2018	31.3.2017	Change
	RMB'000	RMB'000	+ / (-)
Loss for the period from discontinued operations:			
Revenue	16,789	48,038	(65.1)
Cost of sales	(15,748)	(39,103)	(59.7)
Gross profit	<u>1,041</u>	<u>8,935</u>	(88.3)
Other income	6,676	1,566	326.3
Selling and distribution expenses	(2,010)	(2,867)	(29.9)
Administrative expenses	(4,793)	(4,280)	12.0
Other expenses	(323)	(126)	156.3
Finance costs	(8,525)	(13,124)	(35.0)
Share of results of associates	-	(321)	(100.0)
Loss before income tax	<u>(7,934)</u>	<u>(10,217)</u>	(22.3)
Income tax expense	181	(258)	(170.2)
Loss for the period	<u>(7,753)</u>	<u>(10,475)</u>	(26.0)

	Group	
	3 months ended	
	31.3.2018	31.3.2017
	RMB'000	RMB'000
Amortisation of deferred capital grant	(284)	(284)
Amortisation of land use rights	878	287
Depreciation of property, plant and equipment	3,351	5,018
Foreign exchange (gain) loss, net	(154)	(503)
Property, plant and equipment written-off	6	-
Government grants and subsidies	(3)	-
Interest expense		
- Loans and borrowings	8,525	13,124
Interest income		
- Bank deposits	(1)	(7)
(Reversal) Write-down on inventories	(5,695)	-
Operating lease expenses	10	94
Staff costs *		
- Wages, salaries and bonuses	3,548	4,173
- Pension costs	569	960
- Other staff costs	213	232

* 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	
	31.3.2018	31.12.2017	31.3.2018	31.12.2017
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	22	24	22	24
	<u>22</u>	<u>24</u>	<u>22</u>	<u>24</u>
Current assets				
Trade and other receivables	15	15	15	15
Cash and bank balances	3	3	3	3
	18	18	18	18
Assets of disposal group classified as held-for-sale	360,658	365,194	-	-
Total current assets	<u>360,676</u>	<u>365,212</u>	<u>18</u>	<u>18</u>
Total assets	<u>360,698</u>	<u>365,236</u>	<u>40</u>	<u>42</u>
EQUITY AND LIABILITIES				
Equity				
Share capital	313,344	313,344	313,344	313,344
Other reserves	(12,063)	(12,063)	5,316	5,316
Accumulated losses	(1,232,185)	(1,224,493)	(330,383)	(329,939)
Equity attributable to owners of the Company	<u>(930,904)</u>	<u>(923,212)</u>	<u>(11,723)</u>	<u>(11,279)</u>
Non-controlling interests	<u>(7,074)</u>	<u>(6,574)</u>	<u>-</u>	<u>-</u>
Capital deficiency	<u>(937,978)</u>	<u>(929,786)</u>	<u>(11,723)</u>	<u>(11,279)</u>
Current liabilities				
Trade and other payables	11,829	11,389	11,763	11,321
	<u>11,829</u>	<u>11,389</u>	<u>11,763</u>	<u>11,321</u>
Liabilities of disposal group classified as held-for-sale	1,286,847	1,283,633	-	-
Current liabilities and total liabilities	<u>1,298,676</u>	<u>1,295,022</u>	<u>11,763</u>	<u>11,321</u>
Total equity and liabilities	<u>360,698</u>	<u>365,236</u>	<u>40</u>	<u>42</u>

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

Amount repayable in one year or less, or on demand

Group		Group	
As at 31.3.2018		As at 31.12.2017	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
505,678	114,961	505,678	121,742

Amount repayable after one year

Group		Group	
As at 31.3.2018		As at 31.12.2017	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
34,600	7,875	34,600	7,875

Details of any collateral

Bank loans

The bank loans are guaranteed or secured as follows:

- (a) RMB 169,700,000 (2017: RMB 169,700,000) is guaranteed by a PRC subsidiary, Fujian Aton Advanced Materials Science and Technology Co., Ltd. ("Fujian Atontech");
- (b) RMB 197,100,000 (2017: RMB 197,100,000) is guaranteed by Wang Sen, the Company's Non-Executive Chairman and is secured by land use rights and buildings;
- (c) RMB 140,578,000 (2017: RMB 140,578,000) is secured by land use rights and buildings;
- (d) RMB 30,000,000 (2017: RMB 30,000,000) is secured by plant and machinery and is also guaranteed by Fujian Atontech; and

RMB 126,796,000 (2017: RMB 126,796,000) of the bank loans are guaranteed jointly by Pu Weidong, a former CEO and Executive Director of the Company.

RMB 16,000,000 (2017: RMB 16,000,000) of a loan from a financial institution is unsecured.

The bank loans of RMB 537,378,000 (2017: RMB 537,378,000) bear effective interest rates ranging from 5.62% to 10.20% (2017: 5.62% to 10.20%) per annum and have remaining maturity of between 1 and 24 (2017: 1 and 24) 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.

	Group	
	3 months ended	
	31.3.2018	31.3.2017
	RMB'000	RMB'000
Operating activities		
Loss before income tax	(8,373)	(10,493)
Adjustments:		
Amortisation of deferred capital grant	(284)	(284)
Amortisation of land use rights	878	287
Depreciation of property, plant and equipment	3,351	5,018
Interest expense	8,525	13,124
Interest income	(1)	(7)
Property, plant and equipment written-off	6	-
(Reversal) Write-down of inventories	(5,695)	-
Share of results of associates	-	321
Operating cash flows before movements in working capital	(1,593)	7,966
Movements in working capital:		
Inventories	2,580	(6,368)
Trade and other receivables	1,064	(32,284)
Prepayments	696	2,402
Trade and other payables	2,375	25,810
Cash (used in) generated from operations	5,122	(2,474)
Income taxes paid	-	(164)
Net cash (used in) generated from operating activities	5,122	(2,638)
Investing activities		
Acquisition of property, plant and equipment	(289)	-
Interest received	1	7
Net cash generated from investing activities	(288)	7

Group
3 months ended

	31.3.2018	31.3.2017
	RMB'000	RMB'000
Financing activities		
Interest paid	-	(5,057)
Proceeds from borrowings	-	8
Repayment of borrowings	(6,781)	-
Pledged bank balances	768	(47)
Net cash used in financing activities	<u>(6,013)</u>	<u>(5,096)</u>
Net decrease in cash and bank balances	(1,179)	(7,727)
Cash and bank balances at beginning of financial period	4,869	12,887
Cash and bank balances at end of financial period	<u><u>3,690</u></u>	<u><u>5,160</u></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	
	31.3.2018	31.3.2017
	RMB'000	RMB'000
Cash and bank balances	9,749	13,187
Less: Pledged bank balances *	<u>(6,059)</u>	<u>(8,027)</u>
	<u><u>3,690</u></u>	<u><u>5,160</u></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

	Share capital RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2018	313,344	(12,063)	(1,224,493)	(6,574)	(929,786)
Total comprehensive loss for the period	-	-	(7,692)	(500)	(8,192)
Balance at 31 March 2018	313,344	(12,063)	(1,232,185)	(7,074)	(937,978)
Balance at 1 January 2017	313,344	(12,063)	(1,187,294)	(5,499)	(891,512)
Total comprehensive loss for the period	-	-	(9,531)	(1,220)	(10,751)
Balance at 31 March 2017	313,344	(12,063)	(1,196,825)	(6,719)	(902,263)

COMPANY

	Share capital RMB'000	Reserves RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Balance at 1 January 2018	313,344	5,316	(329,939)	(11,279)
Total comprehensive loss for the period	-	-	(444)	(444)
Balance at 31 March 2018	313,344	5,316	(330,383)	(11,723)

	Share capital RMB'000	Reserves RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Balance at 1 January 2017	313,344	5,316	(416,304)	(97,644)
Total comprehensive loss for the period	-	-	(272)	(272)
Balance at 31 March 2017	313,344	5,316	(416,576)	(97,916)

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 31 March 2018

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

31.3.2018

31.12.2017

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's financial statements for the year ending 31 December 2018 is prepared in accordance with the Singapore Financial Standards (International) ("SFRS(I)"). The Group has performed a detailed analysis of the transition options and other requirements of SFRS(I) and has determined that there is no change to the Group's current accounting policies under the financial reporting standards in Singapore or material adjustment on the initial transition of the new framework. Other than the adoption of the new SFRS(I)s, amendments and interpretations of SFRS(I)s which took effect the current financial year, there were no changes in accounting policies and methods of computation adopted in the financial statements for the current reporting period as compared to the most recent audited financial statements.

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	
	3 months ended	
	31.3.2018	31.3.2017
Loss per ordinary share for the period:		
	RMB'000	RMB'000
Loss attributable to shareholders (basic and diluted):		
Continuing operations	(439)	(276)
Discontinued operations	(7,753)	(10,475)
	'000	'000
Weighted average number of ordinary shares (basic and diluted)	287,595	287,595
Basic and Diluted Loss per Share (RMB cents):		
Continuing operations	(0.15)	(0.10)
Discontinued operations	(2.70)	(3.64)

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	
	31.3.2018	31.12.2017	31.3.2018	31.12.2017
Net asset value per ordinary share (RMB cents)	(326.15)	(323.30)	(4.08)	(3.92)

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 31 March 2018 and 31 December 2017.

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

1Q 2018 vs 1Q 2017

Continuing operations:

Administrative expenses increased from RMB 276,000 in 1Q 2017 to RMB 439,000 in 1Q 2018 mainly due to reduction in unrealized foreign exchange revaluation gain on the current assets and liabilities recorded in the period under review.

As a result of the above, the Group's net loss from continuing operation for 1Q 2018 increased by RMB 163,000 compared to 1Q 2017.

Discontinued operations:

Revenue decreased significantly by RMB 31.2 million or 65.1% from RMB 48.0 million in 1Q 2017 to RMB 16.8 million in 1Q 2018 mainly due to the operating subsidiaries in the PRC had moved towards subcontract work of plastic pipes and related products for others. Gross profit and gross margins were significantly lower as a result of higher fixed production overheads costing due to production plants shut-down during Chinese New Year festival.

Other income increased from RMB 1.6 million in 1Q 2017 to RMB 6.7 million in 1Q 2018 by RMB 5.1 million mainly due reversal of write-down on inventories of RMB 5.7 million made in 1Q 2018.

Selling and distribution expenses declined by RMB 857,000 or 29.9% mainly due to lower revenue.

Administrative expenses increased by RMB 513,000 or 12.0% mainly due to higher repair and maintenance for workers' dormitory by RMB 188,000 as well as late tax filing penalties by RMB 273,000 in 1Q 2018 as compared to 1Q 2017.

Other expenses increased from RMB 126,000 in 1Q 2017 to RMB 323,000 in 1Q 2018 by RMB 197,000 mainly due to higher loss on sale of scrap materials.

Finance costs decreased from RMB 13.1 million in 1Q 2017 to RMB 8.5 million in 1Q 2018 by 35.0% mainly due to repayment and reduction of borrowings from third parties.

Share of results of associates was nil amount in 1Q 2018 as compared to loss of RMB 321,000 due to the Company's associated company had ceased operations activities.

As a result of the above, the Group's overall net loss for the period decreased from RMB 10.8 million in 1Q 2017 to RMB 8.2 million in 1Q 2018.

Financial position

Following the conditional sale and purchase agreement entered with the Purchaser for the Proposed Disposal (please refer to Note (1) on page 2) which was subsequently approved by the Shareholders at the Extraordinary General Meeting convened on 24 November 2017, the assets and liabilities relating to the disposal group as at 31 March 2018 which are classified and presented as "Assets of disposal group classified as held-for-sale" and "Liabilities of disposal group classified as held-for-sale" in the statement of financial position are as follows:

	31.3.2018 RMB'000	31.12.2017 RMB'000
Assets classified as held for sale:		
ASSETS		
Non-current assets		
Land use rights	56,637	57,514
Property, plant and equipment	146,704	149,770
Goodwill	3,117	3,117
	206,458	210,401
Current assets		
Inventories	10,617	7,502
Trade and other receivables	133,048	134,111
Prepayments	789	1,485
Cash and bank balances	9,746	11,695
	154,200	154,793
Total:	360,658	365,194

31.3.2018	31.12.2017
RMB'000	RMB'000

Liabilities classified as held for sale:

Non-current liabilities

Borrowings	42,475	42,475
Deferred capital grant	11,309	11,593
Deferred tax liabilities	7,176	7,356

Current liabilities

Trade and other payables	596,969	586,510
Borrowings	620,639	627,420
Deferred capital grants	233	233
Current tax payable	8,046	8,046
	<u>1,225,887</u>	<u>1,222,209</u>
Total:	<u>1,286,847</u>	<u>1,283,633</u>

As at 31 March 2018, non-current assets amounting to RMB 206.5 million (2017: RMB 210.4 million) and current assets amounting to RMB 154.2 million (2017: RMB 154.8 million), totaling RMB 360.7 million (2017: RMB 365.2) are classified as assets of disposal group held-for-sale.

Non-current liabilities amounting to RMB 61.0 (2017: RMB 61.4 million) and current liabilities amounting to RMB 1.2 billion (2017: RMB 1.2 billion), totaling RMB 1.3 billion (2017: RMB 1.3 billion) are classified as liabilities of disposal group held-for-sale.

Capital deficiency increased to RMB 938.0 million as a result of net loss incurred in 1Q 2018.

Cash Flows

The Group registered net cash generated from operating activities of RMB 5.1 million in 1Q 2018 mainly due to lower working capital needs and prudent working capital management.

Net cash used in investing activities in 1Q 2018 of RMB 288,000 was mainly for purchase of property, plant and equipment.

Net cash used in financing activities in 1Q 2018 of RMB 6.0 million was mainly used for repayment of borrowings.

As at 31 March 2018, the Group had cash and cash equivalents of RMB 3.7 million (net of pledged bank balances).

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 4Q 2017.

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 Company had completed the transfer of the Target Shares of the subsidiaries under the Proposed Disposal on 30 April 2018. The Company had received a total sum of RMB RMB 6.85 million of the total Consideration for the proposed disposal of RMB 10 million thus far. The Purchaser is still arranging to transfer the balance of RMB 3.15 million of the Consideration to the Company.

The Company will utilize the proceeds of the Consideration in accordance to the Shareholder Circular dated 6 November 2017.

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 current period ended 31 March 2018.

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.

14. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 7201(1).

The Company has obtained undertakings from all its directors and executive officers.

15. Board Negative Assurance Confirmation for Interim Financial Results.

The Board of Sinopipe Holdings Limited, 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 31 March 2018 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD OF DIRECTORS

Mr Wang Sen
Non-Executive Chairman
Sinopipe Holdings Limited

15 May 2018