



SINOPIE HOLDINGS LIMITED

(Company Registration Number: 200411382N)

First Quarter Financial Statements and Dividend Announcement for the Period Ended 31 March 2016

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		%
	31.03.2016	31.03.2015	Change
	RMB'000	RMB'000	+ / (-)
Revenue	83,508	155,776	(46.4)
Cost of sales	(75,858)	(133,127)	(43.0)
Gross profit	<u>7,650</u>	<u>22,649</u>	(66.2)
Other income	4,439	5,648	(21.4)
Selling and distribution expenses	(9,958)	(11,236)	(11.4)
Administrative expenses	(12,921)	(13,170)	(1.9)
Other expenses	(676)	(424)	59.4
Finance costs	(25,787)	(27,744)	(7.1)
Share of results of associates	(454)	(684)	(33.6)
Loss before income tax	<u>(37,707)</u>	<u>(24,961)</u>	51.1
Income tax	3,020	106	*n.m.
Loss for the period, representing total comprehensive loss	<u>(34,687)</u>	<u>(24,855)</u>	39.6
Loss, representing total comprehensive loss attributable to:			
Owners of the Company	(34,168)	(23,777)	43.7
Non-controlling interests	(519)	(1,078)	(51.9)
	<u>(34,687)</u>	<u>(24,855)</u>	39.6

*n.m. Not meaningful

	Group	
	3 months ended	
	31.03.2016	31.03.2015
	RMB'000	RMB'000
Amortisation of deferred capital grant	(404)	(128)
Amortisation of land use rights	464	614
Depreciation of property, plant and equipment	7,217	8,006
Foreign exchange loss, net	166	73
Loss on disposal of property, plant and equipment	-	14
Impairment loss on property, plant and equipment	2,060	-
Government grants and subsidies	(458)	(535)
Impairment loss reversed on doubtful trade receivables	(3,796)	(1,579)
Interest expense		
- Loans and borrowings	25,787	27,744
Interest income		
- Bank deposits	(1,151)	(2,200)
Write-down (Write-back) on inventories	269	(1,072)
Operating lease expenses	575	650
Staff costs *		
- Wages, salaries and bonuses	17,579	17,943
- Pension costs	2,192	2,969
- Other staff costs	1,029	1,063

* 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	
	31.03.2016	31.12.2015	31.03.2016	31.12.2015
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Land use rights	85,159	85,623	-	-
Property, plant and equipment	273,832	283,109	47	43
Goodwill	3,117	3,117	-	-
Investment in subsidiaries	-	-	38,129	38,129
Investment in associates	9,116	9,570	7,697	7,697
	<u>371,224</u>	<u>381,419</u>	<u>45,873</u>	<u>45,869</u>
Current assets				
Inventories	70,661	81,419	-	-
Other investment	20,000	20,000	-	-
Trade and other receivables	138,571	107,807	26,480	26,538
Prepayments	3,955	17,599	-	-
Cash and bank balances	213,945	209,648	80	138
	<u>447,132</u>	<u>436,473</u>	<u>26,560</u>	<u>26,676</u>
	<u>818,356</u>	<u>817,892</u>	<u>72,433</u>	<u>72,545</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	(947,503)	(913,335)	(334,484)	(332,591)
Equity attributable to owners of the Company	<u>(646,222)</u>	<u>(612,054)</u>	<u>(15,824)</u>	<u>(13,931)</u>
Non-controlling interests	<u>1,712</u>	<u>2,231</u>	<u>-</u>	<u>-</u>
Capital deficiency	<u>(644,510)</u>	<u>(609,823)</u>	<u>(15,824)</u>	<u>(13,931)</u>
Non-current liabilities				
Borrowings	68,453	71,578	-	-
Deferred capital grant	12,459	12,586	-	-
Deferred tax liabilities	3,656	7,312	-	-
	<u>84,568</u>	<u>91,476</u>	<u>-</u>	<u>-</u>
Current liabilities				
Trade and other payables	820,023	768,976	88,257	86,476
Borrowings	550,046	559,394	-	-
Deferred capital grants	233	510	-	-
Current tax payable	7,996	7,359	-	-
	<u>1,378,298</u>	<u>1,336,239</u>	<u>88,257</u>	<u>86,476</u>
Total liabilities	<u>1,462,866</u>	<u>1,427,715</u>	<u>88,257</u>	<u>86,476</u>
Total equity and liabilities	<u>818,356</u>	<u>817,892</u>	<u>72,433</u>	<u>72,545</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 31.03.2016		As at 31.12.2015	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
415,266	134,780	419,539	139,855

Amount repayable after one year

Group		Group	
As at 31.03.2016		As at 31.12.2015	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
60,578	7,875	60,578	11,000

Details of any collaterals

Bank loans

The bank loans are guaranteed or secured as follows:

- (a) RMB 144,627,000 (2015: RMB 145,439,000) is guaranteed by a PRC subsidiary, Fujian Aton Advanced Materials Science and Technology Co., Ltd. ("Fujian Atontech");
- (b) RMB 160,640,000 (2015: RMB 164,100,000) is guaranteed by Wang Sen, the Company's Executive Chairman and Chief Executive Officer and is secured by land use rights and buildings with an aggregate carrying amount of RMB 31,657,000 (2015: RMB 31, 929,000) and RMB 85,468,000 (2015: RMB 86,155,000), respectively;
- (c) RMB 140,578,000 (2015: RMB 140,578,000) is secured by land use rights and buildings with an aggregate carrying amount of RMB 38,654,000 (2015: RMB 39,116,000) and RMB 22,456,000 (2015: RMB 22,506,000), respectively;
- (d) RMB 30,000,000 (2015: RMB 30,000,000) is secured by plant and machinery with an aggregate carrying amount of RMB 1,150,000 (2015: RMB 1,533,000), and is also guaranteed by Fujian Atontech; and

RMB 16,000,000 (2015: RMB 17,500,000) of the bank loans is unsecured.

The bank loans of RMB 475,845,000 (2015: RMB 480,117,000) bear effective interest rates ranging from 2.28% to 10.83% (2015: 2.28% to 10.83%) per annum and have remaining maturity of between 1 and 20 (2015: 1 and 20) 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	
	31.03.2016	31.03.2015
	RMB'000	RMB'000
Operating activities		
Loss before income tax	(37,707)	(24,961)
Adjustments:		
Amortisation of deferred capital grant	(404)	(128)
Amortisation of land use rights	464	614
Depreciation of property, plant and equipment	7,217	8,006
Impairment loss reversed on doubtful trade receivables	(3,796)	(1,579)
Impairment loss on property, plant and equipment	2,060	-
Interest expense	25,787	27,744
Interest income	(1,151)	(2,200)
Loss on disposal of property, plant and equipment	-	14
Write-down/ (back) on inventories	269	(1,072)
Share of results of associates	454	684
Operating cash flows before movements in working capital	(6,807)	7,122
Movements in working capital:		
Inventories	10,489	(2,503)
Trade and other receivables	(26,968)	(34,282)
Prepayments	13,644	(39,951)
Trade and other payables	54,704	94,319
Cash generated from operations	45,062	24,705
Income taxes paid	(3,656)	-
Net cash generated from operating activities	41,406	24,705
Investing activities		
Acquisition of property, plant and equipment	-	(3,497)
Proceeds from disposal of property, plant and equipment	-	2,667
Interest received	1,151	2,200
Net cash generated from investing activities	1,151	1,370
Financing activities		
Interest paid	(25,787)	(27,744)
Proceeds from borrowings	222,650	177,900
Repayment of borrowings	(235,123)	(167,093)
Pledged bank balances	(11,369)	3,958
Net cash used in financing activities	(49,629)	(12,979)
Net (decrease)/ increase in cash and bank balances	(7,072)	13,096
Cash and bank balances at beginning of financial period	19,602	18,523
Cash and bank balances at end of financial period	12,530	31,619

Note to Consolidated Cash Flow Statement

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

	Group	
	31.03.2016	31.03.2015
	RMB'000	RMB'000
Cash and bank balances	213,945	255,219
Less: Pledged bank balances *	(201,415)	(223,600)
	<u>12,530</u>	<u>31,619</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	Other reserves	Accumulated losses	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2016	313,344	(12,063)	(913,335)	2,231	(609,823)
Total comprehensive loss for the period	-	-	(34,168)	(519)	(34,687)
Balance at 31 March 2016	<u>313,344</u>	<u>(12,063)</u>	<u>(947,503)</u>	<u>1,712</u>	<u>(644,510)</u>
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	<u>313,344</u>	<u>(12,063)</u>	<u>(829,616)</u>	<u>5,803</u>	<u>(522,532)</u>

COMPANY

	Share capital	Reserves	Accumulated losses	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2016	313,344	5,316	(332,591)	(13,931)
Total comprehensive loss for the period	-	-	(1,893)	(1,893)
Balance at 31 March 2016	<u>313,344</u>	<u>5,316</u>	<u>(334,484)</u>	<u>(15,824)</u>
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	<u>313,344</u>	<u>5,316</u>	<u>(317,034)</u>	<u>1,626</u>

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 2016	<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	
	31.03.2016	31.12.2015
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 2016. The accounting policies and methods of computation are consistent with the latest audited financial statements for the financial year ended 31 December 2015. 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	
	3 months ended	
	31.03.2016	31.03.2015
Loss per ordinary share for the period:		
	RMB'000	RMB'000
Loss attributable to shareholders	(34,168)	(23,777)
	'000	'000
Weighted average number of ordinary shares (basic)	287,595	287,595
Weighted average number of ordinary shares (diluted)	287,595	287,595
	RMB cents	RMB cents
(a) Basic Loss per Share	(11.88)	(8.27)
(b) Diluted Loss per Share	(11.88)	(8.27)

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	
	31.03.2016	31.12.2015	31.03.2016	31.12.2015
Net liability value per ordinary share (RMB cents)	(224.10)	(212.04)	(5.50)	(4.84)

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 2016 vs 1Q 2015

Revenue

The breakdown of the Group's revenue is as follows:

	3 months ended		Increase /	Increase /
	31.03.2016	31.03.2015	(Decrease)	(Decrease)
	RMB'000	RMB'000	RMB'000	%
Plastic pipe				
- Water supply	33,176	97,517	(64,341)	(66.0)
- Drainage and sewerage	27,720	40,410	(12,690)	(31.4)
- Telecommunication and electrical	9,039	16,675	(7,636)	(45.8)
- Water-saving irrigation	13,362	755	12,607	*n.m.
- Fuel gas	211	419	(208)	(49.6)
	<u>83,508</u>	<u>155,776</u>	<u>(72,268)</u>	<u>(46.4)</u>

*n.m. Not meaningful

Revenue decreased significantly by RMB 72.3 million or 46.4% from RMB 155.8 million in 1Q 2015 to RMB 83.5 million in 1Q 2016. The significant decrease of revenue in all segments except Water-saving irrigation segment was mainly due to significant decrease in production volume caused by lower fund available to procure raw materials as more funds were utilized to pay loan interest and to repay bank loans.

Gross profit decreased significantly by RMB 15.0 million or 66.2% from RMB 22.6 million in 1Q 2015 to RMB 7.7 million in 1Q 2016. The decrease was attributed to lower sales revenue as well as lower gross margins. Gross margin was significantly lower than the corresponding period mainly due to higher product costs attributable to higher fixed production overhead costs absorption per unit because of lower production volume.

Other income decreased by RMB 1.2 million or 21.4% from RMB 5.6 million in 1Q 2015 to RMB 4.4 million in 1Q 2016 mainly due to lower interest income on bank deposits.

Selling and distribution expenses decreased by RMB 1.3 million or 11.4% from RMB 11.2 million in 1Q 2015 to RMB 10.0 million in 1Q 2016 mainly because of lower transportation costs due to significant decrease in sales volume in 1Q 2016.

Administrative expenses decreased marginally by RMB 0.2 million or 1.9% from RMB 13.2 million in 1Q 2015 to RMB 12.9 million in 1Q 2016.

Other expenses was RMB 0.7 million in 1Q 2016, increased by RMB 0.3 million or 59.4% compared to RMB 0.4 million in 1Q 2015 mainly due to write-down on inventories.

Finance cost decreased by RMB 2.0 million or 7.1% from RMB 27.7 million in 1Q 2015 to RMB 25.8 million in 1Q 2016 mainly due to higher repayment of bank borrowings during the current period.

Share of losses of associates decreased by RMB 0.2 million from RMB 0.7 million in 1Q 2015 to RMB 0.5 million in 1Q 2016 as the Company's associate, Yunnan Aton High Molecular Materials Technology Co., Ltd incurred lower operating losses in the current period.

Income tax was in credit amount of RMB 3.0 million (Q1 2015: RMB106,000) mainly due to deferred taxation adjustment.

As a result of the above, Group's loss for the period increased by RMB 9.8 million or 39.6% from RMB 24.9 million in 1Q 2015 to RMB 34.7 million in 1Q 2016.

Financial position

As at 31 March 2016, non-current assets amounted to RMB 371.2 million, a decrease of RMB 10.2 million or 2.7% compared to the preceding financial year ended as at 31 December 2015. The decrease was mainly due to depreciation charges on property, plant and equipment and amortisation on land use rights as well as lower investment in associates attributable to operating losses recorded by the associate.

Current assets amounted to RMB 447.1 million, an increase of RMB 10.7 million or 2.4% compared to the preceding financial year ended as at 31 December 2015. This increase was mainly due to higher trade and other receivables by RMB 30.8 million and cash and bank balances by RMB 4.3 million and offset by lower prepayments by RMB 13.6 million and inventories by RMB 10.8 million.

Current liabilities amounted to RMB 1.38 billion, an increase of RMB 42.1 million or 3.1% compared to the preceding financial year end as at 31 December 2015. This was mainly due to higher trade and other payables by RMB 51.0 million and offset by lower borrowings by RMB 9.3 million.

Non-current liabilities amounted to RMB 84.6 million, a decrease of RMB 6.9 million or 7.6% compared to the preceding financial year end as at 31 December 2015 mainly due to decrease in long-term borrowings and deferred tax liabilities.

As at 31 March 2016, Capital deficiency increased by RMB 34.7 million or 5.7% to RMB 644.5 million as a result of net loss in 1Q 2016.

Cash Flows

The Group registered net cash generated from operating activities of RMB 41.4 million in 1Q 2016 mainly due to changes in working capital.

Net cash generated from investing activities amounted to RMB 1.2 million mainly from interest received from pledged deposit.

Net cash used in financing activities of RMB 49.6 million was mainly due to interest payment of RMB 25.8 million, net repayment of borrowings of RMB 12.5 million and increase in pledge deposits of RMB 11.4 million.

As at 31 March 2016, the Group had cash and cash equivalents of RMB 12.5 million (net of pledged bank balances).

Going concern

As at 31 March 2016, the Group and the Company were in net current liability position of RMB 931.2 million and RMB 61.7 million respectively. The Group was also in a net liability position of RMB 644.5 million. In addition, the Group incurred net loss of RMB 34.7 million for the financial period ended 31 March 2016.

For the Group and the Company to continue to operate as going concern, the Management has been actively taking the following measures:

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

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 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.

The Group and the Company continue to be seriously affected by credit crunch in the PRC as the banks continue to tighten their credit policy in view of the economic slowdown in the PRC. Several banks, particularly the small banks, had called off significant amount of loans to the subsidiaries. This had seriously affected their operations and caused several production plants of the Group to shut down. The Group managed to continue the production (albeit in smaller capacity) of its production plants in Fujian Province and two smaller factories in Sichuan and Guizhou Province.

To address the various challenges faced by the Group, the Management has been sourcing and approaching several potential investors to help in the restructuring of the Group's operations in China. In the meantime, the Management continues to streamline the operations of the remaining subsidiaries in Fujian, Sichuan and Guizhou Province. The Board shall make announcements as and when appropriate and shall keep shareholders updated on the significant development going forward.

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 31 March 2016.

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. 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 2016 to be false or misleading in any material aspect.

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers under Rule 720(1).

The Company has procured all the required undertakings as required under Rule 720(1).

BY ORDER OF THE BOARD

Mr Wang Sen
Executive Chairman and Chief Executive Officer

30 September 2016