



SINOPIPE HOLDINGS LIMITED

(Company Registration Number: 200411382N)

Fourth Quarter and Full Year Financial Statements and Dividend Announcement for the Period Ended 31 December 2017

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 12 months ended		
	31.12.2017	31.12.2016	% Change	31.12.2017	31.12.2016	% Change
	RMB'000	RMB'000	+ / (-)	RMB'000	RMB'000	+ / (-)
Revenue	-	-	n.m.	-	-	n.m.
Cost of sales	-	-	n.m.	-	-	n.m.
Gross profit	-	-	n.m.	-	-	n.m.
Other income	1	9	(88.9)	8	13	(38.5)
Selling and distribution expenses	-	-	n.m.	-	-	n.m.
Administrative expenses	(533)	(8,309)	(93.6)	(2,622)	(13,130)	(80.0)
Other expenses	-	(7,697)	(100.0)	-	(7,697)	(100.0)
Finance costs	-	-	n.m.	-	-	n.m.
Share of results of associates	-	-	n.m.	-	-	n.m.
Loss before income tax from continuing operations	(532)	(15,997)	(96.7)	(2,614)	(20,814)	(87.4)
Income tax expense	-	-	n.m.	-	-	n.m.
Loss for the period from continuing operations attributable to owners of the Company	(532)	(15,997)	(96.7)	(2,614)	(20,814)	(87.4)
Discontinued operations						
Loss for the period from discontinued operations ^{Note (1)}	(545)	(172,572)	(99.7)	(35,660)	(260,875)	(86.3)
Loss for the period, representing total comprehensive loss	(1,077)	(188,569)	(99.4)	(38,274)	(281,689)	(86.4)
Loss attributable to:						
Continuing operations, net of tax						
-Owners of the Company	(532)	(15,997)	(96.7)	(2,614)	(20,814)	(87.4)
Discontinued operations, net of tax						
Owners of the Company	(265)	(166,879)	(99.8)	(34,585)	(253,145)	(86.3)
Non-controlling interests	(280)	(5,693)	(95.1)	(1,075)	(7,730)	(86.1)
	(545)	(172,572)	(99.7)	(35,660)	(260,875)	(86.3)

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 conditional sale and purchase agreement with Fujian Yatong Construction Material Limited (the “**Purchaser**”) on 31 March 2017 for the disposal of the shares and equity interest in the following subsidiaries and associated company (“**disposal group**”) in the People’s Republic of China (the “**PRC**”) (the “**Proposed Disposal**”), the “**Agreement**”. The disposal group constitute the Group’s plastic pipe business and operations in China.

1. Fujian Aton Advanced Material Science and Technology Co., Ltd;
2. Sinopipe Guizhou Co., Ltd;
3. Yunnan Aton High Molecular Materials Technology Co., Ltd;
4. Inner Mongolia Aton Plastics Co., Ltd;
5. Yatong Plastic (Hubei) Co., Ltd; and
6. Yatong Plastic & Rubbers (Kaifeng) Co., Ltd.

The Agreement was approved by the Shareholders at the Extraordinary General Meeting convened on 24 November 2017. Currently, the share transfer of the relevant subsidiaries are in progress. Accordingly, the assets and liabilities relating to disposal group as at 31 December 2016 and 31 December 2017 are classified as a disposal group held-for-sale and are presented in the statements of financial position as “**Assets of disposal group classified as held-for-sale**” and “**Liabilities of disposal group classified as held-for-sale**”. The results of operations of disposal group are presented separately in the statement of profit or loss and other comprehensive income as “**Loss for the year from discontinued operations attributable to owners of the company**”.

	Group			Group		
	3 months ended		%	12 months ended		%
	31.12.2017	31.12.2016	Change	31.12.2017	31.12.2016	Change
	RMB'000	RMB'000	+ / (-)	RMB'000	RMB'000	+ / (-)
Loss for the period from discontinued operations:						
Revenue	24,263	75,788	(68.0)	127,341	297,691	(57.2)
Cost of sales	(15,152)	(69,629)	(78.2)	(99,790)	(269,083)	(62.9)
Gross profit	9,111	6,159	47.9	27,551	28,608	(3.7)
Other income	7,580	8,843	(14.3)	12,646	18,841	(32.9)
Selling and distribution expenses	(2,358)	(6,342)	(62.8)	(9,394)	(27,552)	(65.9)
Administrative expenses	(4,830)	(2,503)	93.0	(20,318)	(24,640)	(17.5)
Other expenses	(1,672)	(165,934)	(99.0)	(2,975)	(181,031)	(98.4)
Finance costs	(8,392)	(8,492)	(1.2)	(43,119)	(72,956)	(40.9)
Share of results of associates	-	(830)	(100.0)	-	(1,511)	(100.0)
Loss before income tax	(561)	(169,099)	(99.7)	(35,609)	(260,241)	(86.3)
Income tax expense	16	(3,473)	(100.5)	(51)	(634)	(92.0)
Loss for the period	(545)	(172,572)	(99.7)	(35,660)	(260,875)	(86.3)

	Group 3 months ended		Group 12 months ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RMB'000	RMB'000	RMB'000	RMB'000
Amortisation of deferred capital grant	(49)	(99)	(510)	(759)
Amortisation of land use rights	456	428	1,711	1,820
Depreciation of property, plant and equipment	4,881	11,656	19,291	33,298
Foreign exchange (gain) loss, net	(46)	688	80	1,700
Impairment loss on land use rights	-	23,322	-	23,322
Impairment loss on property, plant and equipment	-	84,126	-	87,126
Impairment loss on investment in associate	-	9,570	-	9,570
Property, plant and equipment written off (write-back)	(113)	-	8	-
Government grants and subsidies	-	(1,122)	(15)	(3,728)
(Reversal) allowance on doubtful receivables	(3,662)	38,029	(3,662)	34,494
Interest expense				
- Loans and borrowings	8,392	8,492	43,119	72,956
Interest income				
- Bank deposits	(1)	(66)	(12)	(1,609)
(Reversal) Write-down on inventories	(3,317)	-	(3,317)	(1,178)
Operating lease expenses	26	247	170	1,324
Staff costs *				
- Wages, salaries and bonuses	3,801	5,339	17,169	31,319
- Pension costs	904	2,206	3,617	5,783
- Other staff costs	242	299	999	2,029

* 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	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	24	35	24	35
	<u>24</u>	<u>35</u>	<u>24</u>	<u>35</u>
Current assets				
Trade and other receivables	15	11	15	11
Cash and bank balances	3	3	3	3
	18	14	18	14
Assets of disposal group classified as held-for-sale	365,194	339,002	-	-
Total current assets	<u>365,212</u>	<u>339,016</u>	<u>18</u>	<u>14</u>
Total assets	<u>365,236</u>	<u>339,051</u>	<u>42</u>	<u>49</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	(1,224,493)	(1,187,294)	(329,939)	(416,304)
Equity attributable to owners of the Company	<u>(923,212)</u>	<u>(886,013)</u>	<u>(11,279)</u>	<u>(97,644)</u>
Non-controlling interests	<u>(6,574)</u>	<u>(5,499)</u>	<u>-</u>	<u>-</u>
Capital deficiency	<u>(929,786)</u>	<u>(891,512)</u>	<u>(11,279)</u>	<u>(97,644)</u>
Current liabilities				
Trade and other payables	11,389	10,109	11,321	97,693
	<u>11,389</u>	<u>10,109</u>	<u>11,321</u>	<u>97,693</u>
Liabilities of disposal group classified as held-for-sale	1,283,633	1,220,454	-	-
Current liabilities and total liabilities	<u>1,295,022</u>	<u>1,230,563</u>	<u>11,321</u>	<u>97,693</u>
Total equity and liabilities	<u>365,236</u>	<u>339,051</u>	<u>42</u>	<u>49</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 31.12.2017		As at 31.12.2016	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
505,678	121,742	505,678	138,456

Amount repayable after one year

Group		Group	
As at 31.12.2017		As at 31.12.2016	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
34,600	7,875	34,600	7,875

Pursuant to the Sales and Purchase Agreement as stated in Note (1), the Group's borrowings of the disposal group have been reclassified to liabilities of disposal group classified as held-for-sale.

Details of any collateral

Bank loans

The bank loans are guaranteed or secured as follows:

- (a) RMB 169,700,000 (2016: 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 (2016: RMB 197,100,000) is guaranteed by Wang Sen, the Company's CEO and Executive Chairman and is secured by land use rights and buildings;
- (c) RMB 140,578,000 (2016: RMB 140,578,000) is secured by land use rights and buildings; and
- (d) RMB 30,000,000 (2016: RMB 30,000,000) is secured by plant and machinery and is also guaranteed by Fujian Atontech.

RMB 126,796,000 (2016: 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 (2016: RMB 16,000,000) of a loan from a financial institution is unsecured.

The bank loans of RMB 537,378,000 (2016: RMB 537,378,000) bear effective interest rates ranging from 5.62% to 10.20% (2016: 5.62% to 10.20%) per annum and have remaining maturity of between 1 and 24 (2016: 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		Group	
	3 months ended		12 months ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RMB'000	RMB'000	RMB'000	RMB'000
Operating activities				
Loss before income tax	(1,093)	(185,096)	(38,223)	(281,055)
Adjustments:				
Amortisation of deferred capital grant	(49)	(99)	(510)	(759)
Amortisation of land use rights	456	428	1,711	1,820
Depreciation of property, plant and equipment	4,881	11,656	19,291	33,298
Gain on disposal of land use right	-	(6,514)	-	(6,514)
Impairment loss on land use rights	-	23,322	-	23,322
Impairment loss on property, plant and equipment	-	84,126	-	87,126
(Reversal) Impairment loss on doubtful receivables	(3,662)	38,029	(3,662)	34,494
Interest expense	8,392	8,492	43,119	72,956
Interest income	(1)	(66)	(12)	(1,609)
Property, plant and equipment written off (write-back)	(113)	-	8	-
(Reversal) Write-down of inventories	(3,317)	-	(3,317)	(1,178)
Impairment loss on investment in associate	-	9,570	-	9,570
Share of results of associates	-	(681)	-	-
Operating cash flows before movements in working capital	5,494	(16,833)	18,405	(28,529)
Movements in working capital:				
Inventories	1,852	25,714	22,204	56,208
Trade and other receivables	2,234	6,980	(75,277)	14,462
Prepayments	(1,485)	2,964	1,441	14,673
Trade and other payables	4,885	(136,160)	85,301	(280,057)
Cash generated from (used in) operations	12,980	(117,335)	52,074	(223,243)
Income taxes paid	(1)	3,476	(7)	-
Net cash generated from (used in) operating activities	12,979	(113,859)	52,067	(223,243)
Investing activities				
Acquisition of property, plant and equipment	(985)	-	(1,417)	(4,991)
Proceed from disposal of held-to-maturity investments	-	-	-	20,000
Proceed from disposal of land use rights	-	7,769	-	7,769
Interest received	1	66	12	1,609
Net cash (used in) generated from investing activities	(984)	7,835	(1,405)	24,387

	Group		Group	
	3 months ended		12 months ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RMB'000	RMB'000	RMB'000	RMB'000
Financing activities				
Interest paid	(8,392)	(31,530)	(43,119)	(45,565)
Proceeds from borrowings	-	24,681	-	442,155
Repayment of borrowings	(2,546)	(18,453)	(16,714)	(386,515)
Pledged bank balances	(577)	124,628	1,153	182,066
Net cash (used in) generated from financing activities	(11,515)	99,326	(58,680)	192,141
Net increase (decrease) in cash and bank balances	480	(6,698)	(8,018)	(6,715)
Cash and bank balances at beginning of financial period	4,389	19,585	12,887	19,602
Cash and bank balances at end of financial period	<u>4,869</u>	<u>12,887</u>	<u>4,869</u>	<u>12,887</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	
	31.12.2017	31.12.2016
	RMB'000	RMB'000
Cash and bank balances	11,698	20,867
Less: Pledged bank balances *	<u>(6,829)</u>	<u>(7,980)</u>
	<u>4,869</u>	<u>12,887</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 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)
Total comprehensive loss for the period	-	-	(20,167)	(1,795)	(21,962)
Balance at 30 June 2017	313,344	(12,063)	(1,216,992)	(8,514)	(924,225)
Total comprehensive loss for the period	-	-	(6,704)	2,220	(4,484)
Balance at 30 September 2017	313,344	(12,063)	(1,223,696)	(6,294)	(928,709)
Total comprehensive loss for the period	-	-	(797)	(280)	(1,077)
Balance at 31 December 2017	313,344	(12,063)	(1,224,493)	(6,574)	(929,786)
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	313,344	(12,063)	(947,503)	1,712	(644,510)
Total comprehensive loss for the period	-	-	(35,245)	(947)	(36,192)
Balance at 30 June 2016	313,344	(12,063)	(982,748)	765	(680,702)
Total comprehensive loss for the period	-	-	(21,670)	(571)	(22,241)
Balance at 30 September 2016	313,344	(12,063)	(1,004,418)	194	(702,943)
Total comprehensive loss for the period	-	-	(182,876)	(5,693)	(188,569)
Balance at 31 December 2016	313,344	(12,063)	(1,187,294)	(5,499)	(891,512)

COMPANY

	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)
Total comprehensive loss for the period	-	-	1,000	1,000
Balance at 30 June 2017	313,344	5,316	(415,576)	(96,916)
Total comprehensive loss for the period	-	-	1,850	1,850
Balance at 30 September 2017	313,344	5,316	(413,726)	(95,066)
Total comprehensive loss for the period	-	-	1,645	1,645
Obligation to repay payables waived ^{Note (2)}	-	-	82,142	82,142
Balance at 31 December 2017	313,344	5,316	(329,939)	(11,279)

COMPANY

	Share capital RMB'000	Reserves RMB'000	Accumulated losses RMB'000	Total equity 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	313,344	5,316	(334,484)	(15,824)
Total comprehensive loss for the period	-	-	(4,647)	(4,647)
Balance at 30 June 2016	313,344	5,316	(339,131)	(20,471)
Total comprehensive loss for the period	-	-	(1,539)	(1,539)
Balance at 30 September 2016	313,344	5,316	(340,670)	(22,010)
Total comprehensive loss for the period	-	-	(75,634)	(75,634)
Balance at 31 December 2016	313,344	5,316	(416,304)	(97,644)

Note (2):

Under the Agreement signed with the Purchaser for the Proposed Disposal (see Note (1) on page 2), the Purchaser agreed to waive the Company's obligations to repay the payables due to Fujian Aton Advanced Material Science and Technology Co., Ltd and its subsidiaries.

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 as at 31 December 2017	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	
	31.12.2017	31.12.2016
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 2017. The accounting policies and methods of computation are consistent with the latest audited financial statements for the financial year ended 31 December 2016. 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		12 months ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Loss per ordinary share for the period:				
	RMB'000	RMB'000	RMB'000	RMB'000
Loss attributable to shareholders (basic and diluted):				
Continuing operations	(532)	(15,997)	(2,614)	(20,814)
Discontinued operations	(265)	(166,879)	(34,585)	(253,145)
	'000	'000	'000	'000
Weighted average number of ordinary shares (basic and diluted)	287,595	287,595	287,595	287,595
Basic and Diluted Loss per Share (RMB cents):				
Continuing operations	(0.18)	(5.56)	(0.91)	(7.23)
Discontinued operations	(0.09)	(58.03)	(12.03)	(88.02)

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	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Net asset value per ordinary share (RMB cents)	(323.30)	(308.08)	(3.92)	(33.95)

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 December 2017 and 31 December 2016.

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

Quarter Four

Continuing operations:

Administrative expenses decreased significantly from RMB 8.3 million in 4Q 2016 to RMB 533,000 in 4Q 2017 mainly due to unrealized foreign exchange revaluation loss of RMB 7.8 million recorded in 4Q 2016.

Other expenses decreased significantly by RMB 7.7 million in 4Q 2017 mainly due to impairment loss of RMB 7.7 million made on investment in associated company, Yunnan Aton High Molecular Materials Technology Co., Ltd in 4Q 2016.

As a result of the above, the Group's net loss from continuing operation for the period decreased from RMB 16.0 million in 4Q 2016 to RMB 532,000 in 4Q 2017.

Discontinued operations:

Revenue decreased significantly by RMB 51.5 million or 68.0% from RMB 75.8 million in 4Q 2016 to RMB 24.3 million in 4Q 2017. The significant decrease was mainly due to the move towards subcontract work of plastic pipes and related products for others. Gross profit increased mainly due to higher gross margins.

Other income reduced from RMB 8.8 million in 4Q 2016 to RMB 7.6 million in 4Q 2017 by RMB 1.3 million mainly due to gain on disposal of land use rights of RMB 6.5 million and government grants and subsidies of RMB 1.1 million received in 4Q 2016 offset by reversal of allowance on doubtful receivables of RMB 3.7 million and reversal of write-down on inventories of RMB 3.3 million in 4Q 2017.

Selling and distribution expenses declined significantly by 62.8% mainly due to downsized operations and lower revenue.

Administrative expenses increased significantly by 93.0% mainly due to staff retrenchment compensation costs of RMB 1.3 million and increased in legal professional services fee by RMB 0.8 million in 4Q 2017.

Other expenses was lower in 4Q 2017 compared to 4Q 2016 by RMB 164.3 million mainly due to following impairment loss made on the following in 4Q 2016:

- Land use rights RMB 23.3 million;
- Property, plant and equipment RMB 84.1 million;
- Allowance on doubtful receivables RMB 38.0 million; and
- Investment in associated company RMB9.6 million.

As a result of the above, the Group's overall net loss for the period decreased from RMB 188.6 million in 4Q 2016 to RMB 1.1 million in 4Q 2017.

Full year

Continuing operations:

Administrative expenses decreased significantly from RMB 13.1 million in FY2016 to RMB 2.6 million in FY2017 mainly due to unrealized foreign exchange revaluation loss of RMB 7.8 million recorded in FY2016 and reduction in key executive salaries by RMB 1.5 million and directors' fee by RMB 374,000 in 4Q 2017.

Other expenses decreased significantly by RMB 7.7 million in FY2017 mainly due to impairment loss of RMB 7.7 million made on investment in associated company, Yunnan Aton High Molecular Materials Technology Co., Ltd in FY2016.

As a result of the above, the Group's net loss from continuing operation for the financial year decreased from RMB 20.8 million in FY2016 to RMB 2.6 million in FY2017.

Discontinued operations:

Revenue decreased significantly by RMB 170.4 million or 57.2% from RMB 297.7 million in FY2016 to RMB 127.3 million in FY2017. The significant decrease was mainly due to the move towards subcontract work of plastic pipes and related products for others.

Other income reduced from RMB 18.8 million in FY2016 to RMB 12.6 million in FY2017 by RMB 6.2 million mainly due to gain on disposal of land use rights of RMB 6.5 million made in FY2016.

Selling and distribution expenses and Administrative expenses declined significantly by 65.9% and 17.5% mainly due to downsized operations and lower revenue.

Other expenses was lower in FY2017 compared to FY2016 by 98.4% mainly due to following impairment loss made on the following in FY2016:

- Land use rights RMB 23.3 million;
- Property, plant and equipment RMB 87.1 million;
- Allowance on doubtful receivables RMB 34.5 million; and
- Investment in associated company RMB9.6 million.

Finance costs declined significantly by 40.9% mainly due to reduction of trade bills financing.

As a result of the above, the Group's overall net loss for the financial decreased from RMB 281.7 million in FY2016 to RMB 38.3 million in FY2017.

Financial position

Following the conditional sale and purchase agreement entered with the Purchaser for the Proposed Disposal (please refer to Note (1)) which was subsequently approved by the Shareholders at the Extraordinary General Meeting convened on 24 November 2017 and the shares transfer procedure for the subsidiaries to be disposed of is on-going, the assets and liabilities relating to the disposal group as at 31 December 2016 and 31 December 2017 are classified as a disposal group held-for-sale and are presented in the statements of financial position as "Assets of disposal group classified as held-for-sale" and "Liabilities of disposal group classified as held-for-sale" as follows:

	31.12.2017 RMB'000	31.12.2016 RMB'000
Assets of disposal group classified as held-for-sale:		
ASSETS		
Non-current assets		
Land use rights	57,514	59,226
Property, plant and equipment	149,770	167,641
Goodwill	3,117	3,117
	<u>210,401</u>	<u>229,984</u>
Current assets		
Inventories	7,502	26,389
Trade and other receivables	134,111	58,840
Prepayments	1,485	2,925
Cash and bank balances	11,695	20,864
	<u>154,793</u>	<u>109,018</u>
Total:	<u>365,194</u>	<u>339,002</u>

	31.12.2017 RMB'000	31.12.2016 RMB'000
Liabilities of disposal group classified as held-for-sale:		
Non-current liabilities		
Borrowings	42,475	42,475
Deferred capital grants	11,593	12,104
Deferred tax liabilities	7,356	7,312
Current liabilities		
Trade and other payables	586,510	506,150
Borrowings	627,420	644,134
Deferred capital grants	233	233
Current tax payable	8,046	8,046
	<u>1,222,209</u>	<u>1,158,563</u>
Total:	<u>1,283,633</u>	<u>1,220,454</u>

As at 31 December 2017, non-current assets amounting to RMB 210.4 million (2016: RMB 230.0 million) and current assets amounting to RMB 154.8 million (2016: RMB 109.0 million), totaling RMB 365.2 million (2016: RMB 339.0) are classified as assets of disposal group held-for-sale.

Non-current liabilities amounting to RMB 61.4 (2016: RMB 61.9 million) and current liabilities amounting to RMB 1.2 billion (2016: RMB 1.2 billion), totaling RMB 1.3 billion (2016: RMB 1.2 billion) are classified as liabilities of disposal group held-for-sale.

Capital deficiency increased to RMB 929.8 million as a result of net loss incurred in the financial year ended 31 December 2017.

Cash Flows

The Group registered net cash generated from operating activities of RMB 52.1 million in FY2017 mainly due to prudent working capital and operational management.

Net cash used in investing activities in FY2017 of RMB 1.4 million was mainly for purchase of property, plant and equipment.

Net cash used in financing activities in FY2017 of RMB 58.7 million was mainly used for repayment of borrowings and interest payment.

As at 31 December 2017, the Group had cash and cash equivalents of RMB 4.9 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 3Q 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.

Due to the current financial status of the subsidiaries of the Company in the PRC, transfer of the Target Shares of some subsidiaries has come across certain obstacles. To expedite the relevant procedure and to complete the Proposed Disposal, the Company and the Purchaser had entered into a supplementary agreement in respect of the Proposed Disposal to dispose of One Sea Development Ltd which serves as a special purpose vehicle to hold the shares in the relevant PRC subsidiaries of the Company.

Following the successful disposal of the China assets, the Group will seek to raise funds and look for other business to acquire.

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 December 2017.

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.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

14. Segment information (of the group), together with comparative information for the immediately preceding year.

The Group is organised into operating segments based on its products and services and has two reportable operating segments as follows:

1. The plastic pipe segment is involved in the design, manufacture, distribution and installation of plastic pipes and pipe fittings for use in various types of piping systems and networks. This reportable segment has been formed by aggregating the water supply, drainage and sewerage, telecommunication and electrical, water-saving irrigation and fuel gas operating segments which are regarded by management to exhibit similar economic characteristics.
2. The corporate segment is involved in Group-level corporate services.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Segment assets and liabilities are not disclosed as they are not regularly provided to the chief operating decision maker.

Year ended
31 December 2017

	Plastic pipe (Discontinued)	Corporate	Total
	RMB'000	RMB'000	RMB'000
Revenue			
External customers	127,341	-	127,341
Results			
Amortisation of deferred capital grant	510	-	510
Amortisation of land use rights	(1,711)	-	(1,711)
Depreciation of property, plant and equipment	(19,281)	(10)	(19,291)
Extinguishment of trade and other payables	-	-	-
Government grants and subsidies	12	3	15
Impairment loss on land use rights	-	-	-
Impairment loss on property, plant and equipment	-	-	-
Impairment loss on goodwill	-	-	-
Interest expense	(43)	-	(43)
Interest income	(12)	-	(12)
Gain on disposal of land use rights	-	-	-
Loss on disposal of property, plant and equipment	-	-	-
Research and development costs	315	-	315
(Reversal) Impairment loss on doubtful receivables	3,662	-	3,662
Reversal (Write-down)) on inventories	3,317	-	3,317
Write-off of inventories	-	-	-
Share of losses of associates	-	-	-
Income tax expenses	(51)	-	(51)
Segment loss	(35,660)	(2,614)	(38,274)

Year ended
31 December 2016

	Plastic pipe (Discontinued)	Corporate	Total
	RMB'000	RMB'000	RMB'000
Revenue			
External customers	297,691	-	297,691
Results			
Amortisation of deferred capital grant	759	-	759
Amortisation of land use rights	(1,820)	-	(1,820)
Depreciation of property, plant and equipment	(33,283)	(15)	(33,298)
Extinguishment of trade and other payables	-	-	-
Government grants and subsidies	3,728	-	3,728
Impairment loss on land use rights	(23,322)	-	(23,322)
Impairment loss on property, plant and equipment	(87,126)	-	(87,126)
Interest expense	(72,956)	-	(72,956)
Interest income	1,609	-	1,609
Gain on disposal of land use rights	6,514	-	6,514
Loss on disposal of property, plant and equipment	-	-	-
Research and development costs	(1,247)	-	(1,247)
Impairment loss on doubtful receivables	34,494	-	34,494
Reversal (Provision) on inventories, net	1,178	-	1,178
Write-off of inventories	-	-	-
Share of losses of associates	(1,511)	-	(1,511)
Income tax expenses	(634)	-	(634)
Segment loss	(260,875)	(20,814)	(281,689)

Geographical information

No geographical information is provided as the principal assets employed by the Group are located in the PRC and the Group's revenue and profits are derived primarily from customers in the PRC.

Information about major customers

For the financial years ended 31 December 2016 and 2017, the Group does not have revenue from transactions with a single customer that amount to 10 per cent or more of the Group's revenue.

15. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the operating or geographical segments.

Please refer to paragraph 8 for review of performance.

16. A breakdown of sales.

	Group		
	2017	2016	% Change
	RMB'000	RMB'000	+ / (-)
Continuing operation:			
(a) Sales reported for first half year	-	-	n.m.
(b) Operating loss after tax before deducting non-controlling interests reported for first half year	(1,704)	(3,606)	(52.7)
(c) Sales reported for second half year	-	-	n.m.
(d) Operating loss after tax before deducting non-controlling interests reported for second half year	(910)	(17,208)	(94.7)
Discontinuing operation:			
(a) Sales reported for first half year	77,086	160,300	(51.9)
(b) Operating loss after tax before deducting non-controlling interests reported for first half year	(31,009)	(67,273)	(53.9)
(c) Sales reported for second half year	50,255	137,391	(63.4)
(d) Operating loss after tax before deducting non-controlling interests reported for second half year	(4,651)	(193,602)	(97.6)

17. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

None.

18. 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.

19. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704 (13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

None.

BY ORDER OF THE BOARD OF DIRECTORS

Mr Wang Sen
Non-Executive Chairman
Sinopipe Holdings Limited

1 March 2018