



SINOPIPE HOLDINGS LIMITED

(Company Registration Number: 200411382N)

Third Quarter and Nine Months Financial Statements and Dividend Announcement for the Period Ended 30 September 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			Group 9 months ended		
	30.09.2016	30.09.2015	% Change	30.09.2016	30.09.2015	% Change
	RMB'000	RMB'000	+ / (-)	RMB'000	RMB'000	+ / (-)
Revenue	61,603	166,618	(63.0)	221,903	537,329	(58.7)
Cost of sales	(53,377)	(144,052)	(62.9)	(199,454)	(466,545)	(57.2)
Gross profit	8,226	22,566	(63.5)	22,449	70,784	(68.3)
Other income	2,096	5,543	(62.2)	10,002	22,215	(55.0)
Selling and distribution expenses	(4,754)	(12,699)	(62.6)	(21,210)	(39,331)	(46.1)
Administrative expenses	(5,805)	(13,474)	(56.9)	(26,958)	(39,132)	(31.1)
Other expenses	(2,824)	(1,682)	67.9	(15,097)	(3,235)	366.7
Finance costs	(19,043)	(30,214)	(37.0)	(64,464)	(83,880)	(23.1)
Share of results of associates	(137)	(506)	(72.9)	(681)	(1,936)	(64.8)
Loss before income tax	(22,241)	(30,466)	(27.0)	(95,959)	(74,515)	28.8
Income tax expense	-	(35)	(100.0)	2,839	71	n.m.
Loss for the period, representing total comprehensive loss	(22,241)	(30,501)	(27.1)	(93,120)	(74,444)	25.1
Loss, representing total comprehensive loss attributable to:						
Owners of the Company	(21,670)	(29,107)	(25.6)	(91,083)	(71,653)	27.1
Non-controlling interests	(571)	(1,394)	(59.0)	(2,037)	(2,791)	(27.0)
	(22,241)	(30,501)	(27.1)	(93,120)	(74,444)	25.1

*n.m. Not meaningful

	Group		Group	
	3 months ended		9 months ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RMB'000	RMB'000	RMB'000	RMB'000
Amortisation of deferred capital grant	(128)	(127)	(660)	(382)
Amortisation of land use rights	464	464	1,392	1,561
Depreciation of property, plant and equipment	7,117	7,809	21,642	22,793
Foreign exchange (gain) loss, net	(37)	1,794	1,012	1,741
Gain on disposal of property, plant and equipment	-	(258)	-	(119)
Impairment loss on property, plant and equipment	940	-	3,000	-
Government grants and subsidies	(2,120)	(951)	(2,606)	(1,516)
(Reversal) impairment loss on doubtful trade receivables	(180)	265	(3,535)	(4,543)
Interest expense				
- Loans and borrowings	19,043	30,214	64,464	83,880
Interest income				
- Bank deposits	(12)	(2,834)	(1,543)	(5,161)
Write-down (Reversal) on inventories	-	251	(1,178)	(821)
Inventories written off	-	610	-	610
Operating lease expenses	203	898	1,077	2,322
Staff costs *				
- Wages, salaries and bonuses	5,723	30,105	25,980	69,174
- Pension costs	1,094	2,684	3,577	8,559
- Other staff costs	286	1,887	1,730	4,763

* 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	
	30.09.2016	31.12.2015	30.09.2016	31.12.2015
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Land use rights	84,231	85,623	-	-
Property, plant and equipment	263,458	283,109	39	43
Goodwill	3,117	3,117	-	-
Investment in subsidiaries	-	-	38,129	38,129
Investment in associates	8,889	9,570	7,697	7,697
	<u>359,695</u>	<u>381,419</u>	<u>45,865</u>	<u>45,869</u>
Current assets				
Inventories	52,103	81,419	-	-
Other investment	-	20,000	-	-
Trade and other receivables	103,860	107,807	26,496	26,538
Prepayments	5,890	17,599	-	-
Cash and bank balances	152,193	209,648	2	138
	<u>314,046</u>	<u>436,473</u>	<u>26,498</u>	<u>26,676</u>
	<u>673,741</u>	<u>817,892</u>	<u>72,363</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	(1,004,418)	(913,335)	(340,670)	(322,591)
Equity attributable to owners of the Company	<u>(703,137)</u>	<u>(612,054)</u>	<u>(22,010)</u>	<u>(13,931)</u>
Non-controlling interests	194	2,231	-	-
Capital deficiency	<u>(702,943)</u>	<u>(609,823)</u>	<u>(22,010)</u>	<u>(13,931)</u>
Non-current liabilities				
Borrowings	63,453	71,578	-	-
Deferred capital grant	12,203	12,586	-	-
Deferred tax liabilities	3,836	7,312	-	-
	<u>79,492</u>	<u>91,476</u>	<u>-</u>	<u>-</u>
Current liabilities				
Trade and other payables	672,032	768,976	94,373	86,476
Borrowings	616,931	559,394	-	-
Deferred capital grants	233	510	-	-
Current tax payable	7,996	7,359	-	-
	<u>1,297,192</u>	<u>1,336,239</u>	<u>94,373</u>	<u>86,476</u>
Total liabilities	<u>1,376,684</u>	<u>1,427,715</u>	<u>94,373</u>	<u>86,476</u>
Total equity and liabilities	<u>673,741</u>	<u>817,892</u>	<u>72,363</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 30.09.2016		As at 31.12.2015	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
462,048	154,883	419,539	139,855

Amount repayable after one year

Group		Group	
As at 30.09.2016		As at 31.12.2015	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
55,578	7,875	60,578	11,000

Details of any collateral

Bank loans

The bank loans are guaranteed or secured as follows:

- (a) RMB 155,502,000 (2015: RMB 145,439,000) is guaranteed by a PRC subsidiary, Fujian Aton Advanced Materials Science and Technology Co., Ltd. ("Fujian Atontech");
- (b) RMB 191,700,000 (2015: RMB 164,100,000) is guaranteed by Wang Sen, the Company's CEO and Executive Chairman and is secured by land use rights and buildings with an aggregate carrying amount of RMB 37,589,000 (2015: RMB 31,929,000) and RMB 115,037,000 (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 38,454,000 (2015: RMB 39,116,000) and RMB 22,436,000 (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 1,130,000 (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 517,780,000 (2015: RMB 480,117,000) bear effective interest rates ranging from 5.62% to 10.20% (2015: 2.28% to 10.83%) per annum and have remaining maturity of between 1 and 24 (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		Group	
	3 months ended		9 months ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RMB'000	RMB'000	RMB'000	RMB'000
Operating activities				
Loss before income tax	(22,241)	(30,466)	(95,959)	(74,515)
Adjustments:				
Amortisation of deferred capital grant	(128)	(127)	(660)	(382)
Amortisation of land use rights	464	464	1,392	1,561
Depreciation of property, plant and equipment	7,117	7,809	21,642	22,793
(Reversal) impairment loss on doubtful trade receivables	(180)	265	(3,535)	(4,543)
Interest expense	19,043	30,214	64,464	83,880
Interest income	(12)	(2,834)	(1,543)	(5,161)
Gain on disposal of property, plant and Equipment	-	(258)	-	(119)
Impairment loss on property, plant and equipment	940	-	3,000	-
Inventories written off	-	610	-	610
Write-down (Reversal of inventories	-	251	(1,178)	(821)
Share of results of associates	137	506	681	1,937
Operating cash flows before movements in working capital	5,140	6,434	(11,696)	25,240
Movements in working capital:				
Inventories	(519)	(6,577)	30,494	(1,469)
Trade and other receivables	(5,950)	7,601	7,482	(23,311)
Prepayments	-	7,523	11,709	(15,754)
Trade and other payables	(32,022)	7,670	(143,897)	123,272
Cash (used in) generated from operations	(33,351)	22,651	(105,908)	107,978
Income taxes paid	-	(35)	(3,476)	(43)
Net cash (used in) generated from operating activities	(33,351)	22,616	(109,384)	107,935
Investing activities				
Acquisition of property, plant and equipment	-	(3,692)	(4,991)	(10,960)
Proceeds from disposal of property, plant and equipment	-	34	-	2,800
Proceeds from held-for-trading investment	-	-	20,000	-
Interest received	12	2,834	1,543	5,161
Net cash generated from (used in) investing activities	12	(824)	16,552	(2,999)

	Group 3 months ended		Group 9 months ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RMB'000	RMB'000	RMB'000	RMB'000
Financing activities				
Interest paid	(370)	(30,214)	(14,035)	(83,880)
Proceeds from borrowings	153	184,866	417,474	473,336
Repayment of borrowings	(307)	(170,495)	(368,062)	(474,813)
Pledged bank balances	37,895	(7,862)	57,438	(17,077)
Net cash generated from (used in) financing activities	<u>37,371</u>	<u>(23,705)</u>	<u>92,815</u>	<u>(102,434)</u>
Net increase (decrease) in cash and bank balances	4,032	(1,913)	(17)	2,502
Cash and bank balances at beginning of financial period	15,553	22,938	19,602	18,523
Cash and bank balances at end of financial period	<u>19,585</u>	<u>21,025</u>	<u>19,585</u>	<u>21,025</u>

Note to Consolidated Cash Flow Statement

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

	Group	
	30.09.2016	30.09.2015
	RMB'000	RMB'000
Cash and bank balances	152,193	265,659
Less: Pledged bank balances *	(132,608)	(244,634)
	<u>19,585</u>	<u>21,025</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	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)
Balance at 1 January 2015	313,344	(12,063)	(805,839)	6,881	(497,677)
Total comprehensive loss for the period	-	-	(23,777)	(1,078)	(24,855)
Balance at 31 March 2015	313,344	(12,063)	(829,616)	5,803	(522,532)
Total comprehensive loss for the period	-	-	(18,769)	(319)	(19,088)
Balance at 30 June 2015	313,344	(12,063)	(848,385)	5,484	(541,620)
Total comprehensive loss for the period	-	-	(29,107)	(1,394)	(30,501)
Balance at 30 September 2015	313,344	(12,063)	(877,492)	4,090	(572,121)

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	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)
Balance at 1 January 2015	313,344	5,316	(316,297)	2,363
Total comprehensive loss for the period	-	-	(737)	(737)
Balance at 31 March 2015	313,344	5,316	(317,034)	1,626
Total comprehensive loss for the period	-	-	(1,720)	(1,720)
Balance at 30 June 2015	313,344	5,316	(318,754)	(94)
Total comprehensive loss for the period	-	-	(3,483)	(3,483)
Balance at 30 September 2015	313,344	5,316	(322,237)	(3,577)

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

Share Capital

Ordinary shares issued and fully paid-up

**Number of
shares**

RMB'000

Balance at 30 September 2016

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

30.09.2016

31.12.2015

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 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		Group	
	3 months ended		9 months ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
Loss per ordinary share for the period:				
	RMB'000	RMB'000	RMB'000	RMB'000
Loss attributable to shareholders (basic and diluted)	(21,670)	(29,107)	(91,083)	(71,653)
	'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)	(7.53)	(10.12)	(31.67)	(24.91)

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

	Group		Company	
	30.09.2016	31.12.2015	30.09.2016	31.12.2015
Net asset value per ordinary share (RMB cents)	(243.56)	(212.04)	(7.65)	(4.84)

Net asset value per ordinary share was calculated based on the total number of issued shares excluding treasury shares of 287,594,900 as at 30 September 2016 and 31 December 2015.

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

3Q2016 vs 3Q2015

Revenue

Revenue decreased significantly by RMB 105.0 million or 63.0% from RMB 166.6 million in 3Q 2015 to RMB 61.6 million in 3Q 2016. The significant decrease was due to the cessation of several production plants of the Group caused by withdrawal of significant banking facilities by the banks in the PRC.

Gross profit declined significantly to RMB 8.2 million in 3Q 2016 from RMB 22.6 million in 3Q 2015 mainly due to significant decline in revenue as explained above.

Other income was lower at RMB 2.1 million in 3Q 2016 compared with RMB 5.5 million in 3Q 2015 mainly because of lower interest income by RMB 2.8 million and gain on sale of scrap materials by RMB 826,000 offset by higher government grants and subsidies by RMB 1.2 million.

Selling and distribution expenses as well as administrative expenses declined significantly by 62.6% and 56.9% respectively year-on-year mainly due to plants closure by several subsidiaries in 2016.

Other expenses increased by RMB 1.1 million or 67.9% from RMB 1.7 million in 3Q 2015 to RMB 2.8 million in 3Q 2016 mainly due to costs associated with the plants closure of RMB 3.0 million offset by lower inventories written-off by RMB 610,000, loss on sale of scrap materials by RMB 617,000 and research and development costs by RMB 437,000.

Finance cost decreased by RMB 11.2 million or 37.0% from RMB 30.2 million in 3Q 2015 to RMB 19.0 million in 3Q 2016 mainly due to lower interest paid on reduced trade bills financing and lower interest charges on loans from third parties.

Share of losses of associate decreased by RMB 369,000 from RMB 506,000 in 3Q 2015 to RMB 137,000 in 3Q 2016 mainly because of lower operating losses incurred by the associate.

As a result of the above, net loss for the period decreased from RMB 30.5 million in 3Q 2015 to RMB 22.2 million in 3Q 2016.

Financial position

As at 30 September 2016, non-current assets amounted to RMB 359.7 million, a decrease of RMB 21.7 million or 5.7% 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 associates.

Current assets amounted to RMB 314.0 million, a decrease of RMB 122.4 million or 28.0% compared to the preceeding financial year ended as at 31 December 2015. The decrease was mainly due to disposal of held to maturity investment of RMB 20.0 million, decrease in inventories by RMB 29.3 million, trade and other receivables by RMB 3.9 million, prepayments by RMB 11.7 million and cash and bank balances by RMB 57.5 million.

Current liabilities amounted to RMB 1.3 billion, a decrease of RMB 39.0 million or 2.9% compared to the preceding financial year end as at 31 December 2015. The decrease was mainly due to lower trade and other payables offset by higher borrowings.

Non-current liabilities amounted to RMB 79.5 million, a decrease of RMB 12.0 million or 13.1% compared to the preceding financial year end as at 31 December 2015. The decrease was mainly due to lower borrowings and deferred tax liabilities.

Capital deficiency increased to RMB 702.9 million by RMB 93.1 million as a result of net loss incurred in 2016.

Cash Flows

The Group registered net cash used in operating activities amounted to RMB 109.4 million in 3Q 2016 mainly due to operating loss and payment of trade bill payable.

Net cash generated from investing activities in 3Q 2016 amounted to RMB 16.1 million mainly from the proceed of sale of held-to-maturity investment offset by the acquisition of property, plant and equipment.

Net cash generated from financing activities in 3Q 2016 amounted to RMB 92.8 million was mainly due to re-financing of trade bills payable and decrease in pledged bank balances of RMB 57.4 million offset by interest payment.

As at 30 September 2016, the Group had cash and cash equivalents of RMB 19.6 million (net of pledged bank balances).

Going concern

As at 30 September 2016, the Group and the Company were in net current liability position of RMB 983.1 million and RMB 67.9 million respectively. The Group was also in a net liability position of RMB 702.9 million. In addition, the Group incurred net loss of RMB 93.1 million for the nine months financial period ended 30 September 2016.

For the Group and Company to continue 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.

Although raw material prices remained high, the subsidiaries sold more plastic pipe products with better gross margins in 3Q 2016 than 2Q 2016. As a result, the gross margins were higher in 3Q 2016 than 2Q 2016.

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 Management of the Company is still in negotiation with an interested investor in the People's Republic of China ("PRC") to restructure the Group's operations in the PRC. The Company will provide further updates on the outcome of the negotiation with the potential investor in due course.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

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

None

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

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

BY ORDER OF THE BOARD OF DIRECTORS

Mr Wang Sen
Executive Chairman and Chief Executive Officer
Sinopipe Holdings Limited

11 December 2016