



# SINOPIPE HOLDINGS LIMITED

(Company Registration Number: 200411382N)

## Fourth Quarter and Full Year Financial Statements and Dividend Announcement for the Period Ended 31 December 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 12 months ended		
	31.12.2016	31.12.2015	% Change	31.12.2016	31.12.2015	% Change
	RMB'000	RMB'000	+ / (-)	RMB'000	RMB'000	+ / (-)
<b>Revenue</b>	75,789	195,924	(61.3)	297,692	733,253	(59.4)
Cost of sales	(69,629)	(149,462)	(53.4)	(269,083)	(616,007)	(56.3)
<b>Gross profit</b>	6,160	46,462	(86.7)	28,609	117,246	(75.6)
Other income	8,852	2,596	241.0	18,854	24,811	(24.0)
Selling and distribution expenses	(6,344)	(13,211)	(52.0)	(27,554)	(52,542)	(47.6)
Administrative expenses	(10,812)	(16,538)	(34.6)	(37,770)	(55,670)	(32.2)
Other expenses	(165,572)	(30,227)	447.8	(180,669)	(33,462)	439.9
Finance costs	(8,492)	(25,826)	(67.1)	(72,956)	(109,706)	(33.5)
Share of results of associates	(830)	163	(609.2)	(1,511)	(1,773)	(14.8)
<b>Loss before income tax</b>	(177,038)	(36,581)	384.0	(272,997)	(111,096)	145.7
Income tax expense	(3,473)	(1,121)	209.8	(634)	(1,050)	(39.6)
<b>Loss for the period, representing total comprehensive loss</b>	(180,511)	(37,702)	378.8	(273,631)	(112,146)	144.0
<b>Loss, representing total comprehensive loss attributable to:</b>						
Owners of the Company	(174,817)	(36,308)	381.5	(265,900)	(107,496)	147.4
Non-controlling interests	(5,694)	(1,394)	308.5	(7,731)	(4,650)	66.3
	(180,511)	(37,702)	378.8	(273,631)	(112,146)	144.0

	Group		Group	
	3 months ended		12 months ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RMB'000	RMB'000	RMB'000	RMB'000
Amortisation of deferred capital grant	(99)	(129)	(759)	(511)
Amortisation of land use rights	428	995	1,820	2,556
Depreciation of property, plant and equipment	11,657	7,713	33,298	30,506
Foreign exchange loss, net	688	2,506	1,700	4,247
Gain on disposal of land use rights	6,514	-	6,514	-
Loss on disposal of property, plant and equipment	-	770	-	651
Impairment loss on land use rights	24,578	-	24,578	-
Impairment loss on property, plant and equipment	84,125	388	87,125	388
Impairment loss on goodwill	-	827	-	827
Government grants and subsidies	(1,122)	(640)	(3,728)	(2,156)
Impairment loss on doubtful trade receivables	13,231	9,251	9,696	4,708
impairment loss on doubtful other receivables	24,798	-	24,798	-
Interest expense				
- Loans and borrowings	8,492	25,826	72,956	109,706
Interest income				
- Bank deposits	(65)	(829)	(1,608)	(5,990)
Write-down (Reversal) on inventories	-	3,326	(1,178)	2,505
Inventories written off	-	633	-	1,243
Operating lease expenses	247	752	1,324	3,074
Staff costs *				
- Wages, salaries and bonuses	5,339	8,717	31,319	77,891
- Pension costs	2,206	4,556	5,783	13,115
- Other staff costs	299	880	2,029	5,643

\* 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.**

	<b>Group</b>		<b>Company</b>	
	<b>31.12.2016</b>	<b>31.12.2015</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Land use rights	59,226	85,623	-	-
Property, plant and equipment	167,676	283,109	34	43
Goodwill	3,117	3,117	-	-
Investment in subsidiaries	-	-	38,129	38,129
Investment in associates	8,059	9,570	6,186	7,697
	<u>238,078</u>	<u>381,419</u>	<u>44,349</u>	<u>45,869</u>
<b>Current assets</b>				
Inventories	26,389	81,419	-	-
Other investment	-	20,000	-	-
Trade and other receivables	58,850	107,807	26,477	26,538
Prepayments	2,926	17,599	-	-
Cash and bank balances	20,864	209,648	3	138
	<u>109,029</u>	<u>436,473</u>	<u>26,480</u>	<u>26,676</u>
	<u>347,107</u>	<u>817,892</u>	<u>70,829</u>	<u>72,545</u>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	313,344	313,344	313,344	313,344
Other reserves	(12,063)	(12,063)	5,316	5,316
Accumulated losses	(1,179,235)	(913,335)	(345,522)	(322,591)
<b>Equity attributable to owners of the Company</b>	<u>(877,954)</u>	<u>(612,054)</u>	<u>(26,862)</u>	<u>(13,931)</u>
<b>Non-controlling interests</b>	<u>(5,500)</u>	<u>2,231</u>	<u>-</u>	<u>-</u>
<b>Capital deficiency</b>	<u>(883,454)</u>	<u>(609,823)</u>	<u>(26,862)</u>	<u>(13,931)</u>
<b>Non-current liabilities</b>				
Borrowings	42,475	71,578	-	-
Deferred capital grant	12,104	12,586	-	-
Deferred tax liabilities	7,312	7,312	-	-
	<u>61,891</u>	<u>91,476</u>	<u>-</u>	<u>-</u>
<b>Current liabilities</b>				
Trade and other payables	516,257	768,976	97,691	86,476
Borrowings	644,134	559,394	-	-
Deferred capital grants	233	510	-	-
Current tax payable	8,046	7,359	-	-
	<u>1,168,670</u>	<u>1,336,239</u>	<u>97,691</u>	<u>86,476</u>
Total liabilities	<u>1,230,561</u>	<u>1,427,715</u>	<u>97,691</u>	<u>86,476</u>
<b>Total equity and liabilities</b>	<u>347,107</u>	<u>817,892</u>	<u>70,829</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**

<b>Group</b>		<b>Group</b>	
<b>As at 31.12.2016</b>		<b>As at 31.12.2015</b>	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
505,678	138,456	419,539	139,855

**Amount repayable after one year**

<b>Group</b>		<b>Group</b>	
<b>As at 30.09.2016</b>		<b>As at 31.12.2015</b>	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
34,600	7,875	60,578	11,000

**Details of any collateral**

**Bank loans**

The bank loans are guaranteed or secured as follows:

- (a) RMB 169,700,000 (2015: RMB 145,439,000) is guaranteed by a PRC subsidiary, Fujian Aton Advanced Materials Science and Technology Co., Ltd. ("Fujian Atontech");
- (b) RMB 197,100,000 (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 28,623,000 (2015: RMB 31,929,000) and RMB 120,366,000 (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 32,043,000 (2015: RMB 39,116,000) and RMB 63,272,000 (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 41,247,000 (2015: RMB 1,533,000), and is also guaranteed by Fujian Atontech; and

RMB 126,796,000 (2015: RMB 134,800,000) of the bank loans are guaranteed jointly by Pu Weidong, a former CEO and Executive Director of the Company.

RMB 16,000,000 (2015: RMB 17,500,000) of a loan from a financial institution is unsecured.

The bank loans of RMB 537,378,000 (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.**

	<b>Group</b>		<b>Group</b>	
	<b>3 months ended</b>		<b>12 months ended</b>	
	<b>31.12.2016</b>	<b>31.12.2015</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Operating activities</b>				
Loss before income tax	(177,038)	(36,581)	(272,997)	(111,096)
Adjustments:				
Amortisation of deferred capital grant	(99)	(129)	(759)	(511)
Amortisation of land use rights	428	995	1,820	2,556
Impairment loss on goodwill	-	827	-	827
Depreciation of property, plant and equipment	11,657	7,713	33,298	30,506
Impairment loss on doubtful trade receivables, net	13,231	9,251	9,696	4,708
Impairment loss on doubtful other receivables	24,798	-	24,798	-
Interest expense	8,492	25,826	72,956	109,706
Interest income	(65)	(829)	(1,608)	(5,990)
Gain on disposal of land use rights	(6,514)	-	(6,514)	-
Loss on disposal of property, plant and equipment	-	770	-	651
Impairment loss on land use rights	24,578	-	24,578	-
Impairment loss on property, plant and equipment	84,125	388	87,125	388
Inventories written off	-	633	-	1,243
Write-down (Reversal) of inventories	-	3,326	(1,178)	2,505
Share of results of associates	830	(164)	1,511	1,773
Operating cash flows before movements in working capital	(15,577)	12,026	(27,274)	37,266
Movements in working capital:				
Inventories	25,714	23,972	56,208	22,503
Trade and other receivables	6,980	29,957	14,462	6,646
Prepayments	2,964	16,091	14,673	337
Trade and other payables	(137,414)	(72,364)	(281,311)	50,908
<b>Cash (used in) generated from operations</b>	<b>(117,333)</b>	<b>9,682</b>	<b>(223,242)</b>	<b>117,660</b>
Income taxes paid (credit)	3,476	(50)	-	(93)
<b>Net cash (used in) generated from operating activities</b>	<b>(113,857)</b>	<b>9,632</b>	<b>(223,242)</b>	<b>117,567</b>
<b>Investing activities</b>				
Acquisition of property, plant and equipment	-	(2,167)	(4,991)	(12,490)
Proceeds from disposal of land use rights	7,769	-	7,769	-
Proceeds from disposal of property, plant and equipment	-	-	-	2,163
Acquisition of held-for-trading investment	-	(20,000)	-	(20,000)
Proceeds from held-for-trading investment	-	-	20,000	-
Interest received	65	829	1,608	5,990
<b>Net cash generated from (used in) investing activities</b>	<b>7,834</b>	<b>(21,338)</b>	<b>24,386</b>	<b>(24,337)</b>

	Group 3 months ended		Group 12 months ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Financing activities</b>				
Interest paid	(31,531)	(5,507)	(45,565)	(89,387)
Proceeds from borrowings	24,678	120,899	442,152	594,235
Repayment of borrowings	(18,453)	(125,001)	(386,515)	(599,814)
Repayments of convertible loan	-	(34,697)	-	(34,697)
Pledged bank balances	124,628	54,589	182,066	37,512
<b>Net cash generated from (used in) financing activities</b>	<u>99,322</u>	<u>10,283</u>	<u>192,138</u>	<u>(92,151)</u>
Net (decrease) increase in cash and bank balances	(6,701)	(1,423)	(6,718)	1,079
Cash and bank balances at beginning of financial period	19,585	21,025	19,602	18,523
Cash and bank balances at end of financial period	<u>12,884</u>	<u>19,602</u>	<u>12,884</u>	<u>19,602</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	
	31.12.2016	31.12.2015
	RMB'000	RMB'000
Cash and bank balances	20,864	209,648
Less: Pledged bank balances *	<u>(7,980)</u>	<u>(190,046)</u>
	<u>12,884</u>	<u>19,602</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**

	<b>Share capital</b>	<b>Other reserves</b>	<b>Accumulated losses</b>	<b>Non-controlling interests</b>	<b>Total equity</b>
	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)
Total comprehensive loss for the period	-	-	(174,817)	(5,694)	(180,511)
Balance at 31 December 2016	313,344	(12,063)	(1,179,235)	(5,500)	(883,454)
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)
Total comprehensive loss for the period	-	-	(35,843)	(1,859)	(37,702)
Balance at 31 December 2015	313,344	(12,063)	(913,335)	2,231	(609,823)

**COMPANY**

	<b>Share capital</b>	<b>Reserves</b>	<b>Accumulated losses</b>	<b>Total equity</b>
	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)
Total comprehensive loss for the period	-	-	(4,852)	(4,852)
Balance at 31 December 2016	313,344	5,316	(345,522)	(26,862)

COMPANY	Share capital RMB'000	Reserves RMB'000	Accumulated losses RMB'000	Total equity RMB'000
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)
Total comprehensive loss for the period	-	-	(354)	(354)
Balance at 31 December 2015	313,344	5,316	(322,591)	(3,931)

**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 December 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	
	31.12.2016	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.**

	<b>Group</b>		<b>Group</b>	
	<b>3 months ended</b>		<b>12 months ended</b>	
	<b>31.12.2016</b>	<b>31.12.2015</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
Loss per ordinary share for the period:				
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Loss attributable to shareholders (basic and diluted)	(174,817)	(36,308)	(265,900)	(107,496)
	<b>'000</b>	<b>'000</b>	<b>'000</b>	<b>'000</b>
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)	(60.79)	(12.62)	(92.46)	(37.38)

**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.**

	<b>Group</b>		<b>Company</b>	
	<b>31.12.2016</b>	<b>31.12.2015</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
Net asset value per ordinary share (RMB cents)	(307.19)	(212.04)	(9.34)	(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 31 December 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**

### **4Q 2016 vs 4Q 2015**

#### **Revenue**

Revenue decreased significantly by RMB 120.1 million or 61.3% from RMB 195.9 million in 4Q 2015 to RMB 75.8 million in 4Q 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 6.2 million in 4Q 2016 from RMB 46.5 million in 4Q 2015 mainly due to significant decline in revenue as explained above as well as lower gross margins because of higher raw material cost.

Other income was higher at RMB 8.9 million in 4Q 2016 compared with RMB 2.6 million in 4Q 2015 mainly because of gain on disposal of land use rights by a subsidiary in the PRC.

Selling and distribution expenses as well as administrative expenses declined significantly by 52.0% and 34.6% respectively year-on-year mainly due to lower revenue.

Other expenses increased significantly by RMB 135.3 million from RMB 30.2 million in 4Q 2015 to RMB 165.6 million in 4Q 2016 mainly due to impairment losses made on land use rights, property, plant and equipment as well as trade and other receivables of the subsidiaries in the PRC which had ceased production during the year.

Finance cost decreased by RMB 17.3 million or 67.1% from RMB 25.8 million in 4Q 2015 to RMB 8.5 million in 4Q 2016 mainly due to substantial reduction of interest-bearing trade bills and lower interest charges on loans from third parties.

The associates continued to report operating losses in Q4 2016 and the Group's share of the operating loss for the quarter under review was RMB 830,000.

As a result of the above, net loss for the Group increased from RMB 37.7 million in 4Q 2015 to RMB 180.5 million in 4Q 2016.

### **Full year 2016 vs 2015**

#### **Revenue**

Revenue decreased significantly by RMB 435.6 million or 59.4% from RMB 733.3 million in FY2015 to RMB 297.7 million in FY2016. 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 28.6 million in FY2016 from RMB 117.2 million in FY2015 mainly due to significant decline in revenue as explained above as well as lower gross margins because of higher raw material cost.

Other income decreased by RMB 6.0 million to RMB 18.9 million in FY2016 from RMB 24.8 million in FY2015 mainly because of lower compensation income received by RMB 7.7 million, write-back of receivables of RMB 5.7 million made in FY2015 offset by gain on disposal of land use rights of RMB 6.5 million in FY2016.

Selling and distribution expenses as well as administrative expenses declined significantly by 47.6% and 32.2% respectively year-on-year mainly due to substantially lower revenue.

Other expenses increased significantly by RMB 147.2 million from RMB 33.5 million in FY2015 to RMB 180.7 million in FY2016 due to impairment losses made on land use rights, property, plant and equipment as well as trade and other receivables of the subsidiaries in the PRC which had ceased production during the current financial year.

Finance cost decreased by RMB 36.8 million or 33.5% from RMB 109.7 million in FY2015 to RMB 73.0 million in FY2016 mainly due to substantial reduction of interest-bearing trade bills and lower interest charges on loans from third parties.

The associates continued to report operating losses in FY2016 and the Group's share of the operating loss for the financial year under review was RMB 1.5 million (2015: RMB 1.8 million).

As a result of the above, net loss for the Group increased from RMB 112.1 million in FY2015 to RMB 273.6 million in FY2016.

## **Financial position**

As at 31 December 2016, non-current assets amounted to RMB 238.1 million, a decrease of RMB 143.3 million or 37.6% compared to the preceding financial year ended as at 31 December 2015. The decrease was mainly due to impairment loss following plants closure by several subsidiaries in the PRC, disposal of land use rights and depreciation and amortisation charges.

Current assets amounted to RMB 109.0 million, a decrease of RMB 327.4 million or 75.0% compared to the preceding financial year ended as at 31 December 2015. The decrease was due to decrease in cash and balances by RMB 188.8 million, lower inventories by RMB 55.0 million as well as impairment loss of RMB 34.5 million made on trade and other receivables.

Current liabilities amounted to RMB 1.2 billion, a decrease of RMB 167.6 million or 12.5% compared to the preceding financial year end as at 31 December 2015. The decrease was mainly due to lower trade bills payable offset by higher borrowings.

Non-current liabilities amounted to RMB 61.9 million, a decrease of RMB 29.6 million or 32.3% compared to the preceding financial year end as at 31 December 2015. The decrease was mainly due to reduction in long-term borrowings.

Capital deficiency increased to RMB 883.5 million as a result of net loss incurred in FY2016.

## **Cash Flows**

The Group registered net cash used in operating activities amounted to RMB 223.2 million in FY2016 mainly due to operating loss and repayment of trade bills payable.

Net cash generated from investing activities in FY2016 amounted to RMB 24.4 million mainly from the proceeds of sale of held-to-maturity investment and disposal of land use rights.

Net cash generated from financing activities in FY2016 amounted to RMB 192.1 million mainly from fund transfer from pledged deposits of RMB 182.1 million offset by interest payment.

As at 31 December 2016, the Group had cash and cash equivalents of RMB 12.9 million (net of pledged bank balances).

## **Going concern**

As at 31 December 2016, the Group and the Company were in net current liability position of RMB 1.1 billion and RMB 71.2 million respectively. The Group was also in a net liability position of RMB 883.5 million. In addition, the Group incurred net loss of RMB 273.6 million for the financial year ended 31 December 2016.

For the Group and Company to continue as going concern, the Management continues to actively pursue the following course of actions:

- 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 3Q 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 has been negotiating with various interested investors in the People's Republic of China ("PRC") to take over or restructure the Group's operations in the PRC. The Company will provide further updates on the outcome of the negotiation with these interested investors 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 current financial year ended 31 December 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.

**13. 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 2016**

	<b>Plastic pipe</b>	<b>Corporate</b>	<b>Per consolidated financial statements</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Revenue</b>			
External customers	297,692	-	297,692
<b>Results</b>			
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	(24,578)	-	(24,578)
Impairment loss on property, plant and equipment	(87,125)	-	(87,125)
Interest expense	(72,956)	-	(72,956)
Interest income	1,608	-	1,608
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 trade receivables, net	(9,696)	-	(9,696)
Impairment loss on doubtful other receivables	(24,798)	-	(24,798)
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	(273,987)	(22,931)	(296,918)

**Year ended  
31 December 2015**

	<b>Plastic pipe</b>	<b>Corporate</b>	<b>Per consolidated financial statements</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Revenue</b>			
External customers	733,253	-	733,253
<b>Results</b>			
Amortisation of deferred capital grant	511	-	511
Amortisation of land use rights	(2,556)	-	(2,556)
Depreciation of property, plant and equipment	(30,495)	(11)	(30,506)
Extinguishment of trade and other payables	2,610	-	2,610
Government grants and subsidies	2,156	4	2,160
Impairment loss on land use rights	-	-	-
Impairment loss on property, plant and equipment	(388)	-	(388)
Impairment loss on goodwill	(827)	-	(827)
Interest expense	(109,706)	-	(109,706)
Interest income	5,990	-	5,990
Gain on disposal of land use rights	-	-	-
Loss on disposal of property, plant and equipment	(651)	-	(651)
Research and development costs	(1,786)	-	(1,786)
Impairment loss on doubtful trade receivables, net	(4,708)	-	(4,708)
Impairment loss on doubtful other receivables	-	-	-
Reversal (Provision) on inventories, net	(2,505)	-	(2,505)
Write-off of inventories	(1,243)	-	(1,243)
Share of losses of associates	(1,773)	-	(1,773)
Income tax expenses	(1,050)	-	(1,050)
Segment loss	(102,104)	(10,042)	(112,146)

#### 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 2015 and 2016, 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.**

	<b>Group</b>		
	<b>2016</b>	<b>2015</b>	<b>% Change</b>
	RMB'000	RMB'000	+ / (-)
(a) Sales reported for first half year	160,300	370,711	(56.8)
(b) Operating profit after tax before deducting non-controlling interests reported for first half year	(70,879)	(43,943)	61.3
(c) Sales reported for second half year	137,392	362,542	(62.1)
(d) Operating profit after tax before deducting non-controlling interests reported for second half year	(202,752)	(68,203)	197.3

**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  
Executive Chairman and Chief Executive Officer  
Sinopipe Holdings Limited

6 March 2017