



# SINOPIPE HOLDINGS LIMITED

(Company Registration Number: 200411382N)

## Third Quarter and Nine Months Financial Statements and Dividend Announcement for the Period Ended 30 September 2014

### 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			Group		
	3 months ended		%	9 months ended		%
	30.09.2014	30.09.2013	Change	30.09.2014	30.09.2013	Change
	RMB'000	RMB'000	+ / (-)	RMB'000	RMB'000	+ / (-)
<b>Revenue</b>	240,729	212,396	13.3	673,342	559,832	20.3
Cost of sales	(222,826)	(173,932)	28.1	(607,450)	(465,952)	30.4
<b>Gross profit</b>	17,903	38,464	(53.5)	65,892	93,880	(29.8)
Other income	2,447	2,130	14.9	9,550	7,107	34.4
Selling and distribution expenses	(19,931)	(16,896)	18.0	(47,703)	(43,813)	8.9
Administrative expenses	(18,021)	(17,618)	2.3	(51,157)	(52,289)	(2.2)
Other expenses	(1,843)	(5,808)	(68.3)	(4,907)	(7,820)	(37.3)
Finance costs	(29,949)	(19,960)	50.0	(80,730)	(62,511)	29.1
Share of results of associates	(416)	(304)	36.8	(973)	(493)	97.4
<b>Loss before income tax</b>	(49,810)	(19,992)	149.1	(110,028)	(65,939)	66.9
Income tax expense	54	(1,983)	(102.7)	300	(3,110)	(109.6)
<b>Loss for the period, representing total comprehensive loss</b>	(49,756)	(21,975)	126.4	(109,728)	(69,049)	58.9
<b>Loss, representing total comprehensive loss attributable to:</b>						
Owners of the Company	(48,715)	(21,252)	129.2	(107,562)	(67,583)	59.2
Non-controlling interests	(1,041)	(723)	44.0	(2,166)	(1,466)	47.8
	(49,756)	(21,975)	126.4	(109,728)	(69,049)	58.9

	<b>Group</b>		<b>Group</b>	
	<b>3 months ended</b>		<b>9 months ended</b>	
	<b>30.09.2014</b>	<b>30.09.2013</b>	<b>30.09.2014</b>	<b>30.09.2013</b>
	RMB'000	RMB'000	RMB'000	RMB'000
Amortisation of deferred capital grant	(122)	(83)	(356)	(249)
Amortisation of deferred income relating to term loan from an external party	-	-	(46)	-
Amortisation of land use rights	426	(97) <sup>#</sup>	1,278	1,256 <sup>#</sup>
Depreciation of property, plant and equipment	8,321	9,705	25,006	27,940
Foreign exchange loss / (gain), net	(118)	(92)	339	(194)
Loss on disposal of property, plant and equipment	208	103	850	462
Government grants and subsidies	(54)	(948)	(726)	(2,660)
Provision/(Reversal of) of impairment loss on trade receivables	570	(758)	378	(379)
Interest expense				
- Loans and borrowings	29,949	19,960	80,730	62,511
Interest income				
- Bank deposits	(774)	(502)	(2,923)	(1,573)
(Reversal) / Write-down on inventories	459	(9)	(195)	201
Operating lease expenses	753	1,008	2,479	2,690
Staff costs *				
- Wages, salaries and bonuses	24,757	20,507	62,441	58,916
- Pension costs	2,941	2,588	8,439	7,318
- Other staff costs	1,080	1,461	3,727	4,574

\* This amount includes directors' remuneration and remuneration of key management personnel.

# Included reversal adjustment amounted to RMB 467,000 in 3Q2013 and RMB 901,000 in 9M2013 due to reclassification of assets class.

**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>30.09.2014</b>	<b>31.12.2013</b>	<b>30.09.2014</b>	<b>31.12.2013</b>
	RMB'000	RMB'000	RMB'000	RMB'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Land use rights	71,964	73,242	-	-
Property, plant and equipment	318,510	317,470	45	44
Goodwill	3,944	3,944	-	-
Investment in subsidiaries	-	-	188,694	188,694
Investment in associates	12,817	13,790	14,000	14,000
Deferred tax assets	616	616	-	-
	<u>407,851</u>	<u>409,062</u>	<u>202,739</u>	<u>202,738</u>
<b>Current assets</b>				
Inventories	113,836	109,424	-	-
Held-for-trading investments	-	500	-	-
Trade and other receivables	340,738	323,392	19,730	19,612
Prepayments	47,715	24,237	-	87
Cash and bank balances	267,654	260,229	99	153
	<u>769,943</u>	<u>717,782</u>	<u>19,829</u>	<u>19,852</u>
	<u>1,177,794</u>	<u>1,126,844</u>	<u>222,568</u>	<u>222,590</u>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	313,344	313,344	313,344	313,344
Other reserves	(12,007)	(12,007)	5,316	5,316
Accumulated losses	(633,156)	(525,594)	(255,668)	(251,156)
<b>Equity attributable to owners of the Company</b>	<u>(331,819)</u>	<u>(224,257)</u>	<u>62,992</u>	<u>67,504</u>
<b>Non-controlling interests</b>	<u>8,888</u>	<u>11,054</u>	<u>-</u>	<u>-</u>
<b>(Capital deficiency) / Total equity</b>	<u>(322,931)</u>	<u>(213,203)</u>	<u>62,992</u>	<u>67,504</u>
<b>Non-current liabilities</b>				
Borrowings	110,994	114,495	-	33,403
Deferred capital grant	12,275	11,668	-	-
Deferred tax liabilities	7,422	7,722	-	220
	<u>130,691</u>	<u>133,885</u>	<u>-</u>	<u>33,623</u>
<b>Current liabilities</b>				
Trade and other payables	798,522	675,954	124,879	121,463
Borrowings	567,658	525,862	34,697	-
Deferred capital grants	456	419	-	-
Current tax payable	3,398	3,927	-	-
	<u>1,370,034</u>	<u>1,206,162</u>	<u>159,576</u>	<u>121,463</u>
Total liabilities	<u>1,500,725</u>	<u>1,340,047</u>	<u>159,576</u>	<u>155,086</u>
<b>Total equity and liabilities</b>	<u>1,177,794</u>	<u>1,126,844</u>	<u>222,568</u>	<u>222,590</u>

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

### Amount repayable in one year or less, or on demand

Group As at 30.09.2014		Group As at 31.12.2013	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
389,365	178,293	444,801	81,061

### Amount repayable after one year

Group As at 30.09.2014		Group As at 31.12.2013	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
110,994	-	81,092	33,403

### Details of any collaterals

#### Loans and borrowings

The bank loans are guaranteed or secured as follows:

- RMB 70,000,000 (2013: RMB 114,000,000) is guaranteed by a PRC subsidiary, Fujian Aton Advanced Materials Science and Technology Co., Ltd. ("Fujian Atontech");
- RMB 110,000,000 (2013: RMB 65,675,000) is guaranteed by Wang Sen, the Company's Non-Executive Chairman and is secured by land use rights and buildings with an aggregate carrying amount of RMB 23,722,000 (2013: RMB 1,446,000) and RMB 48,543,000 (2013: RMB 20,050,000), respectively;
- RMB 198,408,000 (2013: RMB 224,578,000) is secured by land use rights and buildings with an aggregate carrying amount of RMB 39,624,000 (2013: RMB 56,907,000) and RMB 59,508,000 (2013: RMB 66,911,000), respectively;
- RMB 50,000,000 (2013: RMB 41,130,000) is secured by trade receivables with an aggregate carrying amount of RMB 58,750,000 (2013: RMB 37,968,000);
- RMB 48,500,000 (2013: RMB 55,000,000) is secured by plant and machinery with an aggregate carrying amount of RMB 29,799,000 (2013: RMB 8,728,000), and is also guaranteed by Fujian Atontech; and

RMB 23,451,000 (2013: RMB 23,451,000) of the bank loans is unsecured.

The bank loans of RMB 500,359,000 (2013: RMB 523,829,000) bear effective interest rates ranging from 5.60% to 12.00% (2013: 5.85% to 7.28%) per annum and have remaining maturity of between 1 and 30 (2013: 1 and 39) months from the end of the financial year.

#### Convertible loans

On 27 July 2011, the Company completed the issue of convertible loans.

The aggregate principal amount of the convertible loans is RMB 69,394,000. The zero-coupon convertible loans mature three years from the date of disbursement.

The subscribers shall have the option to convert the convertible loans into ordinary shares of the Company at a conversion price of RMB 1.0676.

If the conversion of the convertible loans does not take place either fully or partially during the three years, the Company shall on the maturity date repay all outstanding sums of the convertible loans, free of any interest. The Company shall not prepay the convertible loans unless agreed otherwise in writing with the subscribers.

The conversion shares rank pari passu in all respects with and carry all rights similar to the existing shares of the Company.

The values of the liability component and equity component were determined at the issuance of the convertible loans.

On 26 July 2012, conversion loans amounting to RMB 34,697,000 was converted at the conversion price and 32,500,000 new ordinary shares in the Company were allotted and issued to the subscriber. The conversion of the outstanding balance of the convertible loans amounting to RMB 34,697,000 did not take place fully or partially before the maturity date on 28 July 2014. On 27 July 2014, the subscriber granted an extension to the Company till 30 October 2014 at nil interest to repay the outstanding loan amount. The Company is in the process of discussion with the subscriber on the arrangement for repayment of the outstanding loans.

The carrying amount of the liability component of the convertible loans at the end of the financial period is arrived at as follows:

	<b><u>Group and Company</u></b>	
	<b><u>As at</u></b>	<b><u>As at</u></b>
	<b><u>30.09.2014</u></b>	<b><u>31.12.2013</u></b>
	<b>RMB'000</b>	<b>RMB'000</b>
Liability component		
- Balance at beginning of the period / year	28,292	28,292
Add: Accumulated amortisation of discount		
- Balance at beginning of the period / year	5,111	2,914
- Amortisation of discount during the period	1,294	2,197
	<u>6,405</u>	<u>5,111</u>
- Balance at end of the period / year	<u>6,405</u>	<u>5,111</u>
Carrying amount	<u>34,697</u>	<u>33,403</u>

The fair value of the liability component of the convertible loans at the issuance date is calculated using cash flows discounted based on the Group's incremental borrowing rate of 7.04% per annum.

#### **Loans from third parties**

The aggregate amount is RMB 143,596,000 (2013: RMB 83,125,000) and is short-term and unsecured.

**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>9 months ended</b>	
	<b>30.09.2014</b>	<b>30.09.2013</b>	<b>30.09.2014</b>	<b>30.09.2013</b>
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Operating activities</b>				
Loss before income tax	(49,810)	(19,992)	(110,028)	(65,939)
Adjustments:				
Amortisation of deferred capital grant	(122)	(83)	(356)	(249)
Amortisation of deferred income relating to term loan from a third party	-	-	(46)	-
Amortisation of land use rights	426	(97)	1,278	1,256
Depreciation of property, plant and equipment	8,321	9,705	25,006	27,940
(Reversal of) / Provision of impairment loss on doubtful trade receivables	570	(758)	378	(379)
Interest expense	29,949	19,960	80,730	62,511
Interest income	(774)	(502)	(2,923)	(1,573)
Gain on disposal of held-for-trading investment	(6)	17	(6)	17
Gain on disposal of a subsidiary	-	-	-	(785)
Loss on disposal of property, plant and equipment	208	103	850	462
(Reversal) Write-down of inventories	459	(9)	(195)	201
Share of results of associates	416	304	973	493
Operating cash flows before movements in working capital	<u>(10,363)</u>	<u>8,648</u>	<u>(4,339)</u>	<u>23,955</u>
Movements in working capital:				
Inventories	9,344	4,430	(4,217)	4,545
Trade and other receivables	15,924	84,147	(17,724)	(38,633)
Prepayments	(12,095)	(11,921)	(23,478)	17,687
Trade and other payables	108,646	(18,954)	122,568	157,778
<b>Cash generated from operations</b>	<u>111,456</u>	<u>66,350</u>	<u>72,810</u>	<u>165,332</u>
Income taxes paid	(9)	(189)	(530)	(1,231)
<b>Net cash generated from operating activities</b>	<u>111,447</u>	<u>66,161</u>	<u>72,280</u>	<u>164,101</u>
<b>Investing activities</b>				
Acquisition of property, plant and equipment	(14,843)	(8,268)	(27,939)	(17,917)
Proceeds from disposal of property, plant and equipment	219	825	1,043	833
Grant received on acquisition of property, plant and equipment	1,000	-	1,000	-
Investment in held-for-trading investments	-	(500)	-	(900)
Proceeds from disposal of held-for-trading investments	506	383	506	383
Interest received	774	502	2,923	1,573
Net cash outflow from disposal of a subsidiary	-	-	-	(619)
<b>Net cash used in investing activities</b>	<u>(12,344)</u>	<u>(7,058)</u>	<u>(22,467)</u>	<u>(16,647)</u>

	Group		Group	
	3 months ended		9 months ended	
	30.09.2014	30.09.2013	30.09.2014	30.09.2013
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Financing activities</b>				
Interest paid	(29,785)	(19,394)	(79,344)	(60,889)
Proceeds from borrowings	121,641	70,553	409,524	392,682
Repayment of borrowings	(149,670)	(116,436)	(372,569)	(367,042)
Pledged bank balances	(51,856)	10,762	(82,945)	(118,171)
<b>Net cash used in financing activities</b>	<u>(109,670)</u>	<u>(54,515)</u>	<u>(125,334)</u>	<u>(153,420)</u>
Net (decrease)/increase in cash and bank balances	(10,567)	4,587	(75,521)	(5,966)
Cash and bank balances at beginning of financial period	28,252	49,682	93,206	60,235
Cash and bank balances at end of financial period	<u>17,685</u>	<u>54,269</u>	<u>17,685</u>	<u>54,269</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	
	30.09.2014	30.09.2013
	RMB'000	RMB'000
Cash and bank balances	267,654	228,603
Less: Pledged bank balances *	(249,969)	(174,334)
	<u>17,685</u>	<u>54,269</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 2014	313,344	(12,007)	(525,594)	11,054	(213,203)
Total comprehensive loss for the period	-	-	(29,141)	(858)	(29,999)
Balance at 31 March 2014	313,344	(12,007)	(554,735)	10,196	(243,202)
Total comprehensive loss for the period	-	-	(29,706)	(267)	(29,973)
Balance at 30 June 2014	313,344	(12,007)	(584,441)	9,929	(273,175)
Total comprehensive loss for the period	-	-	(48,715)	(1,041)	(49,756)
Balance at 30 September 2014	<u>313,344</u>	<u>(12,007)</u>	<u>(633,156)</u>	<u>8,888</u>	<u>(322,931)</u>

**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 2013	313,344	(12,007)	(362,925)	27,716	(33,872)
Disposal of a subsidiary	-	-	-	(11,287)	(11,287)
Total comprehensive loss for the period	-	-	(23,955)	(283)	(24,238)
Balance at 31 March 2013	313,344	(12,007)	(386,880)	16,146	(69,397)
Total comprehensive loss for the period	-	-	(22,376)	(460)	(22,836)
Balance at 30 June 2013	313,344	(12,007)	(409,256)	15,686	(92,233)
Total comprehensive loss for the period	-	-	(21,252)	(723)	(21,975)
Balance at 30 September 2013	313,344	(12,007)	(430,508)	14,963	(114,208)

**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 2014	313,344	5,316	(251,156)	67,504
Total comprehensive loss for the period	-	-	(1,811)	(1,811)
Balance at 31 March 2014	313,344	5,316	(252,967)	65,693
Total comprehensive loss for the period	-	-	(1,979)	(1,979)
Balance at 30 June 2014	313,344	5,316	(254,946)	63,714
Total comprehensive loss for the period	-	-	(722)	(722)
Balance at 30 September 2014	313,344	5,316	(255,668)	62,992
Balance at 1 January 2013	313,344	5,316	(18,958)	299,702
Total comprehensive loss for the period	-	-	(1,958)	(1,958)
Balance at 31 March 2013	313,344	5,316	(20,916)	297,744
Total comprehensive loss for the period	-	-	(1,029)	(1,029)
Balance at 30 June 2013	313,344	5,316	(21,945)	296,715
Total comprehensive loss for the period	-	-	(1,839)	(1,839)
Balance at 30 September 2013	313,344	5,316	(23,784)	294,876



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 2014	<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	
	30.09.2014	31.12.2013
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 2014. The accounting policies and methods of computation are consistent with the latest audited financial statements for the financial year ended 31 December 2013. 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.**

Not applicable.

**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	
	30.09.2014	30.09.2013	30.09.2014	30.09.2013
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)	(48,715)	(21,252)	(107,562)	(67,583)
Add: Amortisation of discount on convertible loans	725	565	1,294	1,622
Loss attributable to shareholders (diluted)	(47,990)	(20,687)	(106,268)	(65,961)
	<b>'000</b>	<b>'000</b>	<b>'000</b>	<b>'000</b>
<b>Weighted average number of ordinary shares (basic)</b>				
Issued ordinary shares at beginning of period	287,595	287,595	287,595	287,595
Weighted average number of ordinary shares (basic)	287,595	287,595	287,595	287,595
<b>Weighted average number of ordinary shares (diluted)</b>				
Weighted average number of ordinary shares (basic)	287,595	287,595	287,595	287,595
Effect of dilution from convertible loans	32,500	32,500	32,500	32,500
Weighted average number of ordinary shares (diluted)	320,095	320,095	320,095	320,095
Basic and Diluted Loss per Share (RMB cents)	(16.94)	(7.39)	(37.40)	(23.50)

**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	
	30.09.2014	31.12.2013	30.09.2014	31.12.2013
Net asset value per ordinary share (RMB cents)	(112.29)	(74.13)	21.90	23.47

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 2014 and 31 December 2013.

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**

### **3Q2014 vs 3Q2013**

#### **Revenue**

The breakdown of our revenue is as follows:

	3 months ended		Increase /	Increase /
	30.09.2014	30.09.2013	(Decrease)	(Decrease)
	RMB'000	RMB'000	RMB'000	%
Plastic pipe				
- Water supply	147,394	100,505	46,889	46.7
- Drainage and sewerage	70,867	70,975	(108)	(0.2)
- Telecommunication and electrical	16,212	36,858	(20,646)	(56.0)
- Water-saving irrigation	4,632	1,308	3,324	254.1
- Fuel gas	1,624	2,750	(1,126)	(40.9)
	<u>240,729</u>	<u>212,396</u>	<u>28,333</u>	13.3

Revenue increased by RMB 28.3 million or 13.3% from RMB 212.4 million in 3Q2013 to RMB 240.7 million in 3Q2014. The increase was due to higher sales from water supply and water-saving irrigation segments offset by lower sales from the telecommunication and electrical, fuel gas as well as drainage and sewerage segments.

#### **Gross profit and gross profit margin**

Gross profit decreased by RMB 20.6 million or 53.5% mainly due to lower gross profit margins caused by significant increase in the prices of the main raw material, High-density polyethylene (HDPE) as well as lower selling prices because of the highly competitive plastic pipe market condition in the PRC.

#### **Other income**

Other income increased by RMB 317,000 or 14.9% from RMB 2.1 million in 3Q2013 to RMB 2.4 million in 4Q2014 mainly due to higher interest income earned on bank deposits.

#### **Selling and distribution expenses**

Selling and distribution expenses increased by RMB 3.0 million or 18.0% from RMB 16.9 million in 3Q2013 to RMB 19.9 million in 3Q2014 and was attributable to the following higher expenses:

- Salaries of sales and marketing staff by RMB 1.9 million;
- Travelling expenses by RMB 113,000;
- Advertising and sales promotions expenses by RMB 209,000 and
- Quality servicing and handling expenses by RMB 734,000.

#### **Administrative expenses**

Administrative expenses remained stable at RMB 18.0 million in 3Q 2014 compared to RMB 17.6 million in 3Q 2013.

### **Other expenses**

Other expenses decreased by RMB 4.0 million or 68.3% from RMB 5.8 million in 3Q2013 to RMB 1.8 million in 3Q2014 mainly due to lower scrap expenses by RMB 5.1 million offset by higher research expenses by RMB 787,000 and higher loss on sale of materials by RMB 584,000.

### **Finance costs**

Finance cost increased by RMB 10.0 million or 50.0% from RMB 20.0 million in 3Q2013 to RMB 30.0 million in 3Q2014 mainly due to higher interest rates charged on loans and borrowings.

### **Share of results of associates**

Share of losses of associates increased by RMB 112,000 from RMB 304,000 in 3Q2013 to RMB 416,000 in 3Q2014 mainly because of higher operating losses incurred by an associate, Yunnan Aton High Molecular Materials Technology Co., Ltd.

### **Income tax expense**

Income tax expense in 3Q2014 was a credit amount of RMB 54,000 of which:

- RMB 27,000 was related to the deferred tax credit recognised on the amortisation of discount on the convertible loan and
- RMB 26,000 was related to the income tax effect of the incremental depreciation on fair value write-up of property, plant and equipment arising from acquisition of a subsidiary.

### **Loss for the period**

As a result of the above, loss for the period increased by RMB 27.8 million or 126.4% from RMB 22.0 million in 3Q2013 to RMB 49.8 million in 3Q2014.

## **Financial position**

### **Non-current assets**

As at 30 September 2014, non-current assets amounted to RMB 407.9 million, a marginal decrease of RMB 1.2 million or 0.3% compared to the preceding financial year ended as at 31 December 2013. The decrease was mainly due to lower net book value of land use rights because of amortization and lower value of investment in associates because of operating losses incurred by the associates.

### **Current assets**

Current assets amounted to RMB 769.9 million, an increase of RMB 52.2 million or 7.3% compared to the preceding financial year ended as at 31 December 2013. This increase was mainly due to increase in trade and other receivables, inventories, prepayments and cash and bank balances.

### **Current liabilities**

Current liabilities amounted to RMB 1.4 billion, an increase of RMB 163.9 million or 13.6% compared to the preceding financial year end as at 31 December 2013. The increase was mainly due to higher borrowings as well as trade and other payables.

### **Non-current liabilities**

Non-current liabilities amounted to RMB 130.7million, a decrease of RMB 3.2 million or 2.4% compared to the preceding financial year end as at 31 December 2013. The decrease was mainly due to higher borrowings.

### **Shareholders' equity**

Capital deficiency amounted to RMB 322.9 million, an increase of RMB 109.7 million or 51.5% as a result of net operating losses.

## **Cash Flows**

The Group registered net cash generated from operating activities of RMB 111.4 million in 3Q2014 mainly due to increase in trade and other payables by RMB 108.6 million and decrease in trade and other receivables by RMB 15.9 million due to better debt collection.

Net cash used in investing activities amounted to RMB 12.3 million mainly for the acquisition of property, plant and equipment.

Net cash used in financing activities of RMB 109.7 million was mainly due to net repayment of borrowings by RMB 28.0 million, interest payment of RMB 29.8 million and increase in pledged bank balance of RMB 51.9 million.

As at 30 September 2014, the Group had a cash and cash equivalents of RMB 17.7 million (net of pledged bank balances).

As at 30 September 2014, the Group was in net liability position of RMB 322.9 million and net current liability position of RMB 600.1 million and incurred net loss of RMB 109.7 million for the nine months financial period ended 30 September 2014:

- (a) The Group will be able to continue to obtain financial support from its bankers. Management has been in negotiation with various PRC banks to obtain financing for the Group's operations. The Group has secured loans and received indicative terms from the PRC banks and trade financing amounting to RMB 424 million and RMB 50 million respectively in 2014;
- (b) The Group operating cash flows generated from the operating activities for the third quarter and nine months financial periods ended 30 September 2014 were RMB 111.4 million and RMB 72.3 million respectively;
- (c) The Group has due from contract customers from the completed built-transfer projects amounting to RMB 164.7 million which will be collected in the next few years. The Group will step up its efforts including taking legal action if necessary in collecting the receivables and
- (d) The Group has been implementing several business strategies and costs control measures to improve the operating performance, to optimize the production plants and to expand sales distribution network.

### **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 2Q 2014.

### **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.**

Management would expect some downward pressure on the profit margins in the coming months as the prices of the main raw material, HDPE continue to stay high and plastic pipe market in the PRC remains challenging given the cooling down of residential properties market in the PRC.

The Group will continue to step up its efforts in expanding its distribution network to gain more market share as well as implementing cost control measures and maintaining high product quality to stay competitive.

### **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 2014.

**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**

Dr Pu Weidong  
Chief Executive Officer and Executive Director  
Sinopipe Holdings Limited

14 November 2014

**Confirmation by the Board pursuant to Rule 705(5) of the Listing Manual**

We, being two directors of Sinopipe Holdings Limited (the “Company”), 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 30 September 2014 to be false or misleading in any material aspect.

For and on behalf of the  
Board of Directors of  
Sinopipe Holdings Limited

Dr Pu Weidong  
Chief Executive Officer and Executive Director

Mr Wang Sen  
Non-Executive and Non-Independent Chairman

14 November 2014