



SINOPIPE HOLDINGS LIMITED

(Company Registration Number: 200411382N)

First Quarter Financial Statements and Dividend Announcement for the Period Ended 31 March 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		%
	31.3.2017	31.3.2016	Change
	RMB'000	RMB'000	+ / (-)
Revenue	-	83,508	(100.0)
Cost of sales	-	(75,858)	(100.0)
Gross profit	-	7,650	(100.0)
Other income	-	4,439	(100.0)
Selling and distribution expenses	-	(9,958)	(100.0)
Administrative expenses	(276)	(12,921)	(97.9)
Other expenses	-	(676)	(100.0)
Finance costs	-	(25,787)	(100.0)
Share of results of associates	-	(454)	(100.0)
Loss before income tax	(276)	(37,707)	(99.3)
Income tax expense	-	3,020	(100.0)
Loss for the period from continuing operations	(276)	(34,687)	(99.2)
Discontinued operations			
Loss for the period from discontinued operations ^{Note (1)}	(10,475)	-	
Loss for the period, representing total comprehensive loss	(10,751)	(34,687)	(69.0)
Loss, representing total comprehensive loss attributable to:			
Owners of the Company	(9,531)	(34,168)	(72.1)
Non-controlling interests	(1,220)	(519)	135.1
	(10,751)	(34,687)	(69.0)

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 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 in the People’s Republic of China (the “**PRC**”) (the “**Proposed Disposal**”):

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.

Upon successful completion of the Proposed Disposal, the Purchaser would take over the plastic pipe business and operations in the PRC from the Company. In view of the Proposed Disposal, the financial and operating results for the first quarter ended 31 March 2017 of the subsidiaries and the associated companies which will be disposed of are classified separately as discontinued operations under the FRS 105 of the Financial Reporting Standards of Singapore as follows:

	Group		
	3 months ended		%
	31.3.2017	31.3.2016	Change
	RMB'000	RMB'000	+ / (-)
Loss for the period from discontinued operations:			
Revenue	48,038	83,508	(42.5)
Cost of sales	(39,103)	(75,858)	(48.5)
Gross profit	8,935	7,650	16.8
Other income	1,566	4,439	(64.7)
Selling and distribution expenses	(2,867)	(9,958)	(71.2)
Administrative expenses	(4,280)	(12,921)	(66.9)
Other expenses	(126)	(676)	(81.4)
Finance costs	(13,124)	(25,787)	(49.1)
Share of results of associates	(321)	(454)	(29.3)
Loss before income tax	(10,217)	(37,707)	(72.9)
Income tax expense	(258)	3,020	(108.5)
Loss for the period	<u>(10,475)</u>	<u>(34,687)</u>	(69.8)

	Group	
	3 months ended	
	31.3.2017	31.3.2016
	RMB'000	RMB'000
Amortisation of deferred capital grant	(284)	(404)
Amortisation of land use rights	287	464
Depreciation of property, plant and equipment	5,018	7,217
Foreign exchange (gain) loss, net	(503)	166
Impairment loss on property, plant and equipment	-	2,060
Government grants and subsidies	-	(458)
Reversal on allowance on doubtful trade receivables	-	(3,796)
Interest expense		
- Loans and borrowings	13,124	25,787
Interest income		
- Bank deposits	(7)	(1,151)
Write-down on inventories	-	269
Operating lease expenses	94	575
Staff costs *		
- Wages, salaries and bonuses	4,173	17,579
- Pension costs	960	2,192
- Other staff costs	232	1,029

* 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	
	31.3.2017	31.12.2016	31.3.2017	31.12.2016
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Land use rights	-	59,226	-	-
Property, plant and equipment	32	167,676	32	34
Goodwill	-	3,117	-	-
Investment in subsidiaries	-	-	22,474	38,129
Investment in associates	-	8,059	-	6,186
	<u>32</u>	<u>238,078</u>	<u>22,506</u>	<u>44,349</u>
Current assets				
Inventories	-	26,389	-	-
Other investment	-	-	-	-
Trade and other receivables	10	58,850	19,682	26,477
Prepayments	-	2,926	-	-
Non-current and current assets held for sale	361,930	-	28,640	-
Cash and bank balances	14	20,864	14	3
	<u>361,954</u>	<u>109,029</u>	<u>48,336</u>	<u>26,480</u>
	<u>361,986</u>	<u>347,107</u>	<u>70,842</u>	<u>70,829</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	(1,188,766)	(1,179,235)	(345,794)	(345,522)
Equity attributable to owners of the Company	<u>(887,485)</u>	<u>(877,954)</u>	<u>(27,134)</u>	<u>(26,862)</u>
Non-controlling interests	<u>(6,720)</u>	<u>(5,500)</u>	<u>-</u>	<u>-</u>
Capital deficiency	<u>(894,205)</u>	<u>(883,454)</u>	<u>(27,134)</u>	<u>(26,862)</u>
Non-current liabilities				
Borrowings	-	42,475	-	-
Deferred capital grant	-	12,104	-	-
Deferred tax liabilities	-	7,312	-	-
	<u>-</u>	<u>61,891</u>	<u>-</u>	<u>-</u>
Current liabilities				
Trade and other payables	10,912	516,257	10,871	97,691
Borrowings	-	644,134	-	-
Deferred capital grants	-	233	-	-
Current tax payable	0	8,046	-	-
Non-current and current liabilities held for sale	1,245,279	-	87,105	-
	<u>1,256,191</u>	<u>1,168,670</u>	<u>97,976</u>	<u>97,691</u>
Total liabilities	<u>1,256,191</u>	<u>1,230,561</u>	<u>97,976</u>	<u>97,691</u>
Total equity and liabilities	<u>361,986</u>	<u>347,107</u>	<u>70,842</u>	<u>70,829</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 31.3.2017		As at 31.12.2016	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
505,678	138,464	505,678	138,456

Amount repayable after one year

Group		Group	
As at 31.3.2017		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

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 with an aggregate carrying amount of RMB 28,623,000 (2016: RMB 28,623,000) and RMB 120,366,000 (2016: RMB 120,366,000), respectively;
- (c) RMB 140,578,000 (2016: RMB 140,578,000) is secured by land use rights and buildings with an aggregate carrying amount of RMB 32,043,000 (2016: RMB 32,043,000) and RMB 63,272,000 (2016: RMB 63,272,000), respectively;
- (d) RMB 30,000,000 (2016: RMB 30,000,000) is secured by plant and machinery with an aggregate carrying amount of RMB 41,247,000 (2016: RMB 41,247,000), and is also guaranteed by Fujian Atontech; and

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	
	3 months ended	
	31.3.2017	31.3.2016
	RMB'000	RMB'000
Operating activities		
Loss before income tax	(10,493)	(37,707)
Adjustments:		
Amortisation of deferred capital grant	(284)	(404)
Amortisation of land use rights	287	464
Depreciation of property, plant and equipment	5,018	7,217
(Reversal) Impairment loss on doubtful trade receivables, net	-	(3,796)
Interest expense	13,124	25,787
Interest income	(7)	(1,151)
Impairment loss on property, plant and equipment	-	2,060
Write-down (Reversal) of inventories	-	269
Share of results of associates	321	454
Operating cash flows before movements in working capital	7,966	(6,807)
Movements in working capital:		
Inventories	(6,368)	10,489
Trade and other receivables	(32,284)	(26,968)
Prepayments	2,402	13,644
Trade and other payables	25,810	54,704
Cash (used in) generated from operations	(2,474)	45,062
Income taxes paid	(164)	(3,656)
Net cash (used in) generated from operating activities	(2,638)	41,406
Investing activities		
Interest received	7	1,151
Net cash generated from investing activities	7	1,151

Group
3 months ended

	31.3.2017	31.3.2016
	RMB'000	RMB'000
Financing activities		
Interest paid	(5,057)	(25,787)
Proceeds from borrowings	8	222,650
Repayment of borrowings	-	(235,123)
Pledged bank balances	(47)	(11,369)
Net cash used in financing activities	<u>(5,096)</u>	<u>(49,629)</u>
Net decrease in cash and bank balances	(7,727)	(7,072)
Cash and bank balances at beginning of financial period	12,887	19,602
Cash and bank balances at end of financial period	<u>5,160</u>	<u>12,530</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	
	31.3.2017	31.3.2016
	RMB'000	RMB'000
Cash and bank balances	13,187	213,945
Less: Pledged bank balances *	<u>(8,027)</u>	<u>(201,415)</u>
	<u>5,160</u>	<u>12,530</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)	(1,179,235)	(5,500)	(883,454)
Total comprehensive loss for the period	-	-	(9,531)	(1,220)	(10,751)
Balance at 31 March 2017	313,344	(12,063)	(1,188,766)	(6,720)	(894,205)
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)

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	(345,522)	(26,862)
Total comprehensive loss for the period	-	-	(272)	(272)
Balance at 31 March 2017	313,344	5,316	(345,794)	(27,134)

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)

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

Share Capital

Ordinary shares issued and fully paid-up

Number of
shares

RMB'000

Balance at 31 March 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

31.3.2017

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	
	3 months ended	
	31.3.2017	31.3.2016
Loss per ordinary share for the period:		
	RMB'000	RMB'000
Loss attributable to shareholders (basic and diluted):		
Continuing operations	(276)	(34,168)
Discontinued operations	(10,475)	-
	'000	'000
Weighted average number of ordinary shares (basic and diluted)	287,595	287,595
Basic and Diluted Loss per Share (RMB cents):		
Continuing operations	(0.10)	(11.88)
Discontinued operations	(3.64)	-

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	
	31.3.2017	31.12.2016	31.3.2017	31.12.2016
Net asset value per ordinary share (RMB cents)	(310.93)	(307.19)	(9.43)	(9.34)

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 March 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

1Q 2017 vs 1Q 2016

Revenue

Revenue decreased significantly by RMB 35.5 million or 42.5% from RMB 83.5 million in 1Q 2016 to RMB 48.0 million in 1Q 2017. 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 in 2016.

Gross profit increased to RMB 8.9 million in 1Q 2017 from RMB 7.7 million in 1Q 2016 mainly due to improved gross margins following lower raw material prices.

Other income was lower at RMB 1.6 million in 1Q 2017 compared with RMB 4.4 million in 1Q 2016 mainly due to lower interest income and government grants.

Selling and distribution and administrative expenses declined significantly by 71.2% and 66.9% respectively year-on-year mainly due to lower revenue.

Other expenses decreased from RMB 676,000 in 1Q 2016 to RMB 126,000 in 1Q 2017 mainly due to lower write-down on inventories and loss on sale of scrap materials.

Finance cost decreased by RMB 12.7 million or 49.1% from RMB 25.8 million in 1Q 2016 to RMB 13.1 million in 1Q 2017 mainly due to substantial reduction of interest-bearing trade bills and lower interest charges on loans from third parties.

The Group's associates continued to report operating losses in 1Q 2017 and the Group's share of the operating loss for the quarter under review was RMB 321,000.

As a result of the above, net loss for the Group decreased from RMB 34.7 million in 1Q 2016 to RMB 10.5 million in 1Q 2017.

Financial position

Following the Announcement 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 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 its China subsidiaries and associated company (the "**Proposed Disposal**") (see Note (1), Paragraph 1(a)), all the assets and liabilities of the subsidiaries and the net investment in the associated companies as at 31 March 2017 which will be disposed of are classified as held for sale under the FRS 105 of the Financial Reporting Standards of Singapore as follows:

	Group	Company
	31.3.2017	31.3.2017
	RMB'000	RMB'000
Assets classified as held for sale:		
ASSETS		
Non-current assets		
Land use rights	58,939	-
Property, plant and equipment	162,626	-
Goodwill	3,117	-
Investment in subsidiaries	-	15,655
Investment in associates	7,738	6,187
	<u>232,420</u>	<u>21,842</u>
Current assets		
Inventories	32,757	-
Trade and other receivables	83,057	6,798
Prepayments	523	-
Cash and bank balances	13,173	-
	<u>129,510</u>	<u>6,798</u>
Total:	<u><u>361,930</u></u>	<u><u>28,640</u></u>

Group	Company
31.3.2017	31.3.2017
RMB'000	RMB'000

Liabilities classified as held for sale:

Non-current liabilities

Borrowings	61,701	-
------------	--------	---

Current liabilities

Trade and other payables	531,157	87,105
Borrowings	644,142	-
Deferred capital grants	233	-
Current tax payable	8,046	-
	<u>1,183,578</u>	<u>87,105</u>
Total:	<u>1,245,279</u>	<u>87,105</u>

Non-current assets amounted to RMB 232.4 million and current assets amounted to RMB 129.5 million, totaling RMB 361.9 million are classified as assets held for sale.

Non-current liabilities amounted to RMB 61.7 million and current liabilities amounted to RMB 1.18 billion, totaling RMB 1.25 billion are classified as liabilities held for sale.

Capital deficiency increased to RMB 894.2 million as a result of net loss incurred in 1Q2017.

Cash Flows

The Group registered net cash used in operating activities amounted to RMB 2.6 million in 1Q 2017 mainly due to higher working capital needs.

Net cash generated from investing activities in 1Q 2017 amounted to RMB 7,000 from interest income.

Net cash used in financing activities in 1Q 2017 amounted to RMB 5.1 million mainly used for interest payment.

As at 31 March 2017, the Group had cash and cash equivalents of RMB 5.2 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 4Q 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.

Management is working with the company lawyers to prepare Circular to seek shareholders' approval for the disposal of the abovementioned China subsidiaries and associates. A shareholders' meeting will be called 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 period ended 31 March 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.

15. 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.

16. Board Negative Assurance Confirmation for Interim Financial Results.

The Board of Sinopipe Holdings Limited, hereby confirm that, to the best of our knowledge, nothing has come to the attention of the board of directors which may render the financial results of the Company and the Group for the financial quarter ended 31 March 2017 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD OF DIRECTORS

Mr Wang Sen
Chairman and Chief Executive Officer
Sinopipe Holdings Limited

15 May 2017