



# ZIWO HOLDINGS LTD.

Incorporated in Singapore on 10 January 2008 (Company Registration Number: 200800853Z)

## UNAUDITED FINANCIAL STATEMENT FOR THE FIRST QUARTER ENDED 31 MARCH 2017

### PART I INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

**1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group together with a comparative statement for the corresponding period of the immediately preceding financial year.**

The Group's operations are principally conducted in the People's Republic of China ("PRC"). Accordingly, the consolidated financial statements have been prepared in Chinese Renminbi ("RMB"), being the functional currency of the Group.

#### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FIRST QUARTER AND THREE MONTHS ENDED 31 MARCH 2017

	31 March		% Change
	Unaudited 2017	Unaudited 2016	
<b>(RMB'000)</b>			
Revenue	8,062	11,196	(28.0)
Cost of sales	(7,611)	(11,987)	(36.5)
<b>Gross profit/(loss)</b>	<b>451</b>	<b>(791)</b>	<b>157.0</b>
Other income	3	39	(92.3)
Selling and distribution expenses	(1,111)	(1,642)	(32.3)
Administrative expenses	(2,314)	(2,654)	(12.8)
Other operating expenses	(4,344)	-	100.0
<b>Loss before taxation</b>	<b>(7,315)</b>	<b>(5,048)</b>	<b>44.9</b>
Income tax expense	-	-	-
<b>Net loss for the period, representing total comprehensive loss for the period</b>	<b>(7,315)</b>	<b>(5,048)</b>	<b>44.9</b>

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**1(a)(ii) Other Information**

The Group's loss before taxation is arrived at after charging/(crediting) the following:

	31 March		% Change
	Unaudited 2017	Unaudited 2016	
<b>(RMB'000)</b>			
Depreciation of property, plant and equipment charged in:			
Cost of goods sold	<b>738</b>	1,088	<b>(32.2)</b>
Administrative expenses	<b>262</b>	425	<b>(38.4)</b>
Selling and distribution expense	<b>25</b>	43	<b>(41.7)</b>
Amortisation of land use rights	<b>134</b>	134	-
Interest income	<b>(2)</b>	(27)	<b>(92.5)</b>
Directors' remuneration			
Salaries and related cost	<b>250</b>	330	<b>(24.2)</b>
Loss on disposal of property, plant and equipment	<b>59</b>	-	<b>100</b>
Research and development expenses	<b>107</b>	343	<b>(68.8)</b>
Entertainment expenses	<b>84</b>	281	<b>(70.1)</b>
Travelling expenses	<b>152</b>	113	<b>34.5</b>
Transportation expenses	<b>223</b>	341	<b>(34.6)</b>
Advertisement expenses	<b>150</b>	150	-
Allowance for impairment of trade receivables	<b>4,285</b>	-	<b>100</b>

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1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

(RMB'000)	Group		Company	
	Unaudited as at 31/3/2017	Audited as at 31/12/2016	Unaudited as at 31/3/2017	Audited as at 31/12/2016
<b>ASSETS</b>				
<b>Non-Current</b>				
Land use rights	13,973	14,107	-	-
Property, plant and equipment	20,405	21,607	-	-
Subsidiaries	-	-	41,909	41,908
Associate	5,976	-	5,976	-
	<b>40,354</b>	35,714	<b>47,885</b>	41,908
<b>Current</b>				
Inventories	5,734	6,032	-	-
Trade and other receivables	60,407	60,946	36,250	36,251
Other current assets	1,201	1,074	-	-
Cash and cash equivalents	1,919	2,798	85	34
	<b>69,261</b>	70,850	<b>36,335</b>	36,285
<b>Total assets</b>	<b>109,615</b>	106,564	<b>84,220</b>	78,193
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and Reserves</b>				
Share capital	191,613	185,637	191,613	185,637
Statutory reserve	42,794	42,794	-	-
Accumulated losses	(149,748)	(142,433)	(127,725)	(127,453)
<b>Total equity</b>	<b>84,659</b>	85,998	<b>63,888</b>	58,184
<b>LIABILITIES</b>				
<b>Current</b>				
Trade and other payables	24,670	20,280	20,332	20,009
Income tax payable	286	286	-	-
<b>Total liabilities</b>	<b>24,956</b>	20,566	<b>20,332</b>	20,009
<b>Total equity and liabilities</b>	<b>109,615</b>	106,564	<b>84,220</b>	78,193

**1(b)(ii) Aggregate amount of Group's borrowings and debt securities.**

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

None

**Amount repayable after one year**

None

**Details of any collateral**

N/a

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1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

(RMB'000)	31 March	
	Unaudited 2017	Unaudited 2016
<b>Cash flows from operating activities</b>		
Loss before taxation	(7,315)	(5,048)
Adjustments for:		
Interest Income	(2)	(27)
Loss on disposal of property, plant and equipment	59	-
Depreciation of property, plant and equipment	1,024	1,556
Amortisation of land use rights	134	134
Allowance for impairment of trade receivables	4,285	-
Operating cash outflows before working capital changes	(1,815)	(3,385)
Changes in working capital		
Inventories	298	1,350
Trade and other receivables	(3,744)	(4,752)
Other current assets	(127)	(428)
Trade and other payables	4,388	(43)
Cash used in operation	(1,000)	(7,258)
Interest received	2	27
Net cash flows used in operating activities	(998)	(7,231)
<b>Cash flows from investing activities</b>		
Proceed from disposal of property, plant and equipment	119	-
Net cash flows generated from investing activities	119	-
<b>Net decrease in cash and cash equivalents</b>	(879)	(7,231)
Cash and cash equivalents at beginning of financial period	2,798	35,880
<b>Cash and cash equivalents at end of financial period</b>	<b>1,919</b>	<b>28,649</b>

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1(d)(i) A statement (for the Group and Company) 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.

	Share capital RMB'000	Statutory reserve RMB'000	(Accumulated losses) / Retained earnings RMB'000	Total equity RMB'000
<b><u>The Group</u></b>				
Balance at 1 January 2017	185,637	42,794	(142,433)	85,998
Issuance of share capital	5,976	-	-	5,976
Total comprehensive loss for the period	-	-	(7,315)	(7,315)
<b>Balance at 31 March 2017</b>	<b>191,613</b>	<b>42,794</b>	<b>(149,748)</b>	<b>84,659</b>

Balance at 1 January 2016	185,637	42,794	12,793	241,224
Total comprehensive loss for the period	-	-	(5,048)	(5,048)
<b>Balance at 31 March 2016</b>	<b>185,637</b>	<b>42,794</b>	<b>7,745</b>	<b>236,176</b>

**The Company**

Balance at 1 January 2017	185,637	-	(127,453)	58,184
Issuance of share capital	5,976	-	-	5,976
Total comprehensive loss for the period	-	-	(272)	(272)
<b>Balance at 31 March 2017</b>	<b>191,613</b>	<b>-</b>	<b>(127,725)</b>	<b>63,888</b>

Balance at 1 January 2016	185,637	-	(29,838)	155,799
Total comprehensive loss for the period	-	-	(279)	(279)
<b>Balance at 31 March 2016</b>	<b>185,637</b>	<b>-</b>	<b>(30,117)</b>	<b>155,520</b>

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**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 issue on conversion of all the outstanding convertibles as well as the number of shares held as treasury shares, if any, against the total umber 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 immediately preceding financial year.**

	31 March 2017		31 December 2016	
	Number of ordinary shares	Share capital (RMB'000)	Number of ordinary shares	Share capital (RMB'000)
At the end of the period	<u>437,517,184</u>	<u>191,613</u>	373,717,184	185,637

There were no outstanding convertible or treasury shares held as at 31 March 2017 and 31 December 2016.

**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 proceeding year.**

	Company	
	31 March 2017	31 December 2016
No. of ordinary shares in issue	<u>437,517,184</u>	<u>373,717,184</u>

The Company does not have treasury shares as at 31 March 2017 and 31 December 2016.

**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 reported on.**

Not applicable.

**2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

These figures have not been audited or reviewed by the Company's auditors.

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- 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 same accounting policies and methods of computation as in the most recently audited financial statements have been applied.

- 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.**

The new and revised Financial Reporting Standards ("FRSs") which took effect from the current financial year are assessed to have no material impact to the results or the opening balances of the accumulated profit of the Group and of the Company for the current financial period.

- 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. (a) based on the weighted average number of ordinary shares on issue; and (b) on a fully diluted basis (detailing any adjustments made to the earnings).**

	<b>Group</b>	
	<b>31 March 2017</b>	<b>31 March 2016</b>
Loss after taxation (RMB'000)	<b>(7,315)</b>	(5,048)
Weighted average number of ordinary shares in issue (in '000)	<b>404,908</b>	373,717
<b>Loss per share (RMB cents)</b>		
Basic	<b>(1.81)</b>	(1.35)
Fully diluted	<b>(1.81)</b>	(1.35)

The Company does not have dilutive equity instruments as at 31 March 2017 and 31 March 2016.



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7. **Net asset value (for the Group and the Company) 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>As at 31/3/2017</b>	<b>As at 31/12/2016</b>	<b>As at 31/3/2017</b>	<b>As at 31/12/2016</b>
Net asset value (RMB'000)	<b>84,659</b>	85,998	<b>63,888</b>	58,184
Number of ordinary shares in issue at the end of the period (in '000)	<b>437,517</b>	373,717	<b>437,517</b>	373,717
Net asset value per share (RMB cents)	<b>19.35</b>	23.01	<b>14.60</b>	15.57

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**

**Commentary on Financial Results****Revenue**

For the first quarter ended 31 March 2017 ("1Q17") our revenue decreased by approximately RMB 3.1 million or 28.0% from RMB 11.2 million in the corresponding first quarter ended 31 March 2016 ("1Q16") to RMB 8.1 million. The decline in revenue was largely attributed to a general decline in demand for our products

**Cost of Sales**

Cost of sales comprise mainly raw material costs, electricity and water costs, direct labour costs and other manufacturing overheads. Cost of sales decreased by approximately RMB 4.4 million or 36.5% from RMB 12.0 million in 1Q16 to RMB 7.6 million in 1Q17. Manufacturing overheads and labour costs declined due to scale back of production.

**Gross Profit Margin**

Overall gross profit margin of the Group improved by approximately 12.7 percentage points from negative margin of 7.1% in 1Q16 to 5.6% in 1Q17. The negative margin in 1Q2016 was mainly attributed to declining demand for our products as a result of weak market sentiments which in turn had a downward pressure on our average market price. The improvement in gross profit margin is due to the SBR segment which has a better gross profit margin compared to sandwich mesh and 30D terylene filament yarn.

### **Other Income**

Other income comprise mainly income from sale of scrap materials and interest income from bank deposits. Other income decreased by approximately RMB 36 thousands in 1Q17 due to decrease in sale of scrap materials and interest income.

### **Selling and Distribution Expenses**

Selling and distribution expenses comprise mainly transportation costs, salaries, entertainment expenses, advertisement expenses, sales related tax, R&D expenses, travelling expenses and depreciation expenses. Selling and distribution expenses decreased by approximately RMB 0.5 million or 32.3% mainly due to decrease in entertainment expenses, transportation expenses, and R&D expenses. The decrease was partially offset by an increase in travelling expenses.

### **Administrative Expenses**

Administrative expenses comprise mainly salaries, staff welfare, share award expenses, general office expenses, insurance, professional fees, travelling expenses and depreciation expenses. Administrative expenses decreased by approximately RMB 0.3 million or 12.8% from RMB 2.7 million in 1Q16 to RMB 2.3 million in 1Q17. The decrease in administrative expenses was mainly due to decrease in salaries, staff welfare, director remuneration and social security insurances. This decrease was partially offset by an increase in office expenses, depreciation expenses and other expenses.

### **Other Operating Expenses**

Other operating expenses comprise only allowance for impairment of trade receivables of RMB 4.3 million in 1Q2017. There was no allowance for impairment of trade receivable in 1Q2016.

### **Income Tax**

There is no income tax expense in 1Q17 due to losses incurred.

- (b) **any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on.**

### **Commentary on Financial Position**

#### **Non-Current Assets**

Our non-current assets comprise mainly property, plant and equipment and land use rights.

Net book value of property, plant and equipment ("PPE") decreased by approximately RMB1.2 million from RMB 21.6 million as at 31 December 2016 to approximately RMB 20.4 million as at 31 March 2017 mainly due to depreciation charge incurred during the period.

Land use rights amounted to RMB 14.0 million as at 31 March 2017 after amortisation charge of approximately RMB 134 thousands.

### **Current Assets**

Our current assets comprise mainly inventories, trade and other receivables, other current assets and cash and cash equivalent. Current assets decreased by RMB 1.6 million from RMB 70.9 million as at 31 December 2016 to RMB 69.3 million as at 31 March 2017.

Inventories comprised mainly raw materials, finished goods, work-in-progress (“WIP”) and consumables. Inventories decreased by approximately RMB 0.3 million from approximately RMB 6.0 million as at 31 December 2016 to approximately RMB 5.7 million as at 31 March 2017.

Trade and other receivables decreased by approximately RMB 0.5 million from RMB 60.9 million as at 31 December 2016 to RMB 60.4 million as at 31 March 2017. Trade receivables increased by RMB 0.4 million while other receivables increased by RMB 0.1 million. Included in other receivables is a deposit amounting to RMB 28.0 million for purchase of new equipments.

Other current assets comprise mainly prepaid expenses and it has increased by approximately RMB 127 thousands due to higher prepaid expenses during the quarter.

### **Current Liabilities**

Our current liabilities comprise mainly trade and other payables and income tax payable. Trade and other payables increased by approximately RMB 4.4 million from RMB 20.3 million as at 31 December 2016 to RMB 24.7 million as at 31 March 2017.

### **Commentary on Statement of Cashflows**

Cash used in operating activities was RMB 1.0 million in 1Q17 compared to cash used in operating activities of RMB 7.2 million in 1Q16.

Net cash flows generated from investing activities in 1Q17 was due to proceed from disposal of property, plant and equipment amounting to RMB 119 thousand. There was no cash used in investing activities in 1Q16.

As at 31 March 2017, the Group’s cash and cash equivalent decreased by RMB 0.9 million from RMB 2.8 million as at 31 December 2016 to RMB 1.9 million as at 31 March 2017.

**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

Our current result is in line with our statement made under paragraph 10 in our full year results announcement released on 1 March 2017.

**10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months.**

The Group continues to experience the effects of the persistent slowdown in the manufacturing industry in China. Due to the slowdown in demand for consumers and lifestyle products,

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coupled with competition from cheaper and more varied alternatives, orders for SBR foam have tapered down further and the situation may deteriorate even more. Group revenue and gross profit margin are likely to be further affected.

On 16 February 2017, the acquisition of 45% of the paid-up share capital of Estar Investments Pte. Ltd ("Estar") was completed. The consideration shares of 63,800,000 ordinary shares were issued and allotted, and represented 14.58% of the enlarged share capital of the Company. Following the acquisition, the total issued and paid-up shares of the Company increased from 373,717,184 shares to 437,517,184 shares.

On 29 March 2017, the company has announced that a subsidiary of Estar, E-star Electric Technology Co., Ltd ("Beijing E-star") will build 160 charging stations for electric vehicles in China's Huizhou city through a strategic collaboration with a Chinese property developer, Tai Yu Realty ("Tai Yu"). Both Beijing E-star and Tai Yu have agreed to work together to set up charging stations for Tai Yu's other residential developments and future projects in China.

**11. If a decision regarding dividend has been made:-**

**(a) Whether an interim (final) ordinary dividend has been declared(recommended); and**

None.

**(b) (i) Amount per share**

Not Applicable.

**(ii) Previous corresponding period**

Not Applicable.

**(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated)**

None.

**(d) The date the dividend is payable.**

Not Applicable.

**(e) The date on which Registrable Transfers received by the Company (up to 5.00 pm) will be registered before entitlements to the dividend are determined.**

Not Applicable.

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

No dividend has been declared or recommended for the period ended 31 March 2017.

**13. Interested Person Transactions (“IPT”)**

If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Nil	Nil	Nil

The Company does not have a general mandate from shareholders for IPT.

**14. Negative Assurance**

**Statement Pursuant to SGX Listing Rule 705(5) of the Listing Manual**

The Board of Directors of the Company hereby confirm that to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited interim financial results of the Company and of the Group for the first quarter and three months ended 31 March 2017 to be false or misleading in any material aspect.

**15. 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 720(1).**

The Company hereby confirms that it has procured undertakings from all its directors and executive officers under Rule 720(1) of the Listing Manual.

**BY ORDER OF THE BOARD**

Ting Chun Yuen  
Executive Chairman & CEO  
12 May 2017