

SUNMART HOLDINGS LIMITED
(Registration Number: 200600432W)

Financial Statement and Dividend Announcement for the Third Quarter Ended 30 September 2016

INFORMATION REQUIRED FOR ANNOUNCEMENTS OF 3rd QUARTER 2016 RESULTS

- 1(a) 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.

Consolidated Statement of Comprehensive income	3Q 2016 RMB'000	3Q 2015 RMB'000	+/(-) %
Revenue	78,251	79,614	1.7
Cost of sales	(63,589)	(63,299)	0.5
Gross profit	14,662	16,315	(10.1)
Other operating income	1,077	(649)	265.9
Other losses - net	-	(201)	nm
Distribution and marketing	(9,811)	(4,653)	(110.9)
Administrative expenses	(20,092)	3,864	(620.0)
Finance expenses	(4,695)	(3,535)	(32.8)
(Loss)/Profit before income tax	(18,859)	11,141	(269.3)
Income tax expense	-	-	-
(Loss)/Profit after income tax	(18,859)	11,141	(269.3)
Other comprehensive income	-	-	-
Total comprehensive (loss)/income attributable to equity holders of the Company	(18,859)	11,141	(269.3)

The following items have been included in arriving at loss before taxation:-

	3Q 2016 RMB'000	3Q 2015 RMB'000	+/(-) %
Interest income	248	344	(27.9)
Amortisation of land use rights	150	150	-
Depreciation of property, plant and equipment	4,784	5,730	(16.5)
Depreciation of investment property	154	154	-
Impairment of trade and other receivables	4,135	-	100.0
Inventories written off	1,453	-	100.0
Interest expense	4,695	6,173	(23.9)

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.

	Group		Company	
	As at 30 September 2016 RMB'000	As at 31 December 2015 RMB'000	As at 30 September 2016 RMB'000	As at 31 December 2015 RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	311,833	342,135	-	-
Investment property	22,164	22,626	-	-
Land use rights	23,650	24,100	-	-
Investment in subsidiary corporations	-	-	126,209	126,209
Investment in associates	29,453	29,453	-	-
	387,100	418,314	126,209	126,209
CURRENT ASSETS				
Inventories	49,727	54,997	-	-
Trade and other receivables	113,834	183,519	12,530	9,028
Cash and cash equivalents	91,066	110,549	37	10
	254,627	349,065	12,567	9,038
CURRENT LIABILITIES				
Trade and other payables	68,655	79,701	10,040	6,777
Borrowings	382,350	395,939	-	-
	451,005	475,640	10,040	6,777
NON CURRENT LIABILITIES				
Borrowings	-	2,015	-	-
NET ASSETS	190,722	289,724	128,736	128,470
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share Capital	155,184	155,184	155,184	155,184
Translation reserve	(193)	(193)	(3,930)	(3,930)
Merger deficit	(587)	(587)	-	-
Statutory reserve fund	32,467	32,467	-	-
Retained profits/ (Accumulated losses)	3,851	102,853	(22,518)	(22,784)
TOTAL EQUITY	190,722	289,724	128,736	128,470

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

Amount repayable in one year or less, or on demand

As at 30 September 2016		As at 31 December 2015	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
382,350	-	395,939	-

Amount repayable after one year

As at 30 September 2016		As at 31 December 2015	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
-	-	2,015	-

Details of any collateral

Bank borrowings of the Group are secured over leasehold buildings, land use rights, plant and equipment, certain short term deposits and joint and severable guarantee from third parties, related parties, a director of the Group and a subsidiary corporation.

Note payables of the Group are secured by certain short term bank deposits of the Group.

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	
	3Q 2016	3Q 2015
	RMB'000	RMB'000
Cash flows from operating activities		
(Loss)/profit before taxation	(18,859)	11,140
Adjustments for:		
Interest income	(248)	(344)
Interest expense	4,695	6,173
Depreciation of investment property	154	154
Amortisation of land use rights	150	150
Depreciation and impairment of property, plant and equipment	4,784	5,730
Loss on disposal of property, plant and equipment	-	562
Operating (loss)/profit before working capital changes	(9,324)	23,565
Changes in working capital:		
Inventories	(1,336)	(2,975)
Trade and other receivables	14,267	(12,706)
Trade and other payables	12,002	7,138
Net cash provided by operations	15,609	15,022
Interest paid	(4,695)	(6,173)
Interest received	248	344
Net cash provided by operating activities	11,162	9,192
Cash flows from investing activities		
Additions to property, plant and equipment	(767)	(1,700)
Net cash used in investing activities	(767)	(1,700)
Cash flows from financing activities		
Repayment of borrowings	(7,585)	(12,959)
Net cash used in financing activities	(7,585)	(12,959)
Net increase/(decrease) in cash and cash equivalents	2,810	(5,466)
Cash and cash equivalents at 30 June	88,256	94,428
Cash and cash equivalents at 30 September	91,066	88,962

- 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.**

STATEMENT OF CHANGES IN EQUITY

(Accounts expressed in thousands of Chinese Renminbi (“RMB”) Currency)

These figures have not been audited

GROUP – CURRENT YEAR

	Share Capital	Merger reserve	Statutory Reserve	Currency translation Reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1/1/2016	155,184	(587)	32,467	(193)	102,853	289,724
Total comprehensive loss for the period	-	-	-	-	(99,002)	(99,002)
At 30/9/2016	155,184	(587)	32,467	(193)	3,851	190,722

GROUP- PREVIOUS YEAR

	Share Capital	Merger reserve	Statutory Reserve	Currency translation Reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1/1/2015	155,184	(587)	29,521	(193)	91,903	275,828
Total comprehensive income for the period	-	-	-	-	14,242	14,242
At 30/9/2015	155,184	(587)	29,521	(193)	95,004	278,929

COMPANY- CURRENT YEAR

	Share Capital RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1/1/2016	155,184	(3,930)	(22,784)	128,470
Total comprehensive income for the period	-	-	266	266
At 30/9/2016	155,184	(3,930)	(22,518)	128,736

COMPANY-PREVIOUS PERIOD

	Share Capital RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1/1/2015	155,184	(3,930)	(21,820)	129,434
Total comprehensive loss for the period	-	-	(879)	(879)
At 30/9/2015	155,184	(3,930)	(22,700)	128,554

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 numbers of shares held as treasury shares, if any, against the 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.

There has been no changes in the Company's share capital since the financial year ended 31 December 2015. The Company did not hold any treasury shares as at 30 September 2016 and 31 December 2015.

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	
	As at 30 September 2016	As at 31 December 2015
Number of shares at the end of the year (‘000)	<u>402,000</u>	<u>402,000</u>

The Company does not hold any Treasury shares.

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.

The figures have not been audited or reviewed by our 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 applied the same accounting policies and methods of computation in the financial statements for the current reporting period compared with those of the audited financial statements for the financial year (“FY”) ended 31 December 2015 except for the adoption of the new and revised Financial Reporting Standards which became effective for the financial period beginning on or after 1 January 2016. The adoption of these new and revised accounting standards did not give rise to any significant impact on the financial statements for the financial period ended 30 September 2016.

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.

Please refer to Point 4 above.

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.

	3Q 2016	3Q 2015
(Loss)/profit per share – RMB cents		
- on weighted average number of ordinary shares on issued	(4.69)	2.77
The calculations of earnings per share are based on profit and number of shares shown below:-		
(Loss)/profit attributable to equity holders (RMB'000)	(18,859)	11,141
Weighted average number of shares applicable to basic EPS ('000)	402,000	402,000

There is no difference between the basic and diluted earnings per share as the Company has no potential dilutive ordinary shares, as at 30 September 2016 and 30 September 2015.

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	
	As at 30 September 2016	As at 31 December 2015	As at 30 September 2016	As at 31 December 2015
Net assets attributable to the shareholders (RMB'000)	190,722	289,724	128,736	128,470
Net asset value per ordinary share (RMB cents)	47.4	72.1	32.0	32.0
Number of shares at the end of the period ('000)	402,000	402,000	402,000	402,000

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.**

Review of Financial Performance

For the quarter ended 30/09/2016, the Group's revenue decreased by RMB 1.3 million to RMB 78.2 million, representing a decrease of 1.7% over the corresponding period last year. The decrease is due to decreased sales orders from America region customers which result in lower turnover for the quarter.

The Group's gross profit decreased by RMB 1.6 million to RMB 14.7 million in 3rd quarter FY2016 compared to FY2015. This represents a decrease of 10.1% as compared to last year. Gross profit margin decreased to 18.7% compared to 20.5% in FY 2015. This was mainly due to the increased in both labour costs and material costs as a result higher operating costs and the selling prices still remain at a competitive level.

The Group's year-to-date administrative expenses significant increased to RMB 20.1 million as compared to last year. The increase was mainly due to impairment loss of trade and other receivables and inventories written off.

Balance Sheet

Trade and other payables reduced to RMB 68.6 million due to higher repayments in the current period.

Trade and other receivables reduced to RMB113.8 million due to improve credit control and higher collection in the current period.

Net Current Liability at 30/09/16 amounted to RMB 196.4 million because of funding of long term investments and fixed assets were made using mainly short term borrowings.

Cash Flow

Net cash generated used in operating activities amounted to RMB 11.1 million in FY2016 mainly due to improve credit control and higher collection of RMB 14.2, higher trade and other payables of RMB 12.2 million and partially offset by the operating loss affected by current economic conditions of RMB 9.3 million.

Net cash used in investing activities amounted to RMB 0.7 million in 3rd quarter FY2016 was mainly due to new additions to our fixed assets.

Net cash generated from financing activities amounted to RMB 7.5 million in FY2016 was mainly due to repayment of bank loans and notes payables.

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

No forecast had been issued for the period under review.

- 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.**

Economic conditions remain challenging and the Group may consider investing upstream in selected companies to secure our supplies and take advantage of costs and technology synergies.

- 11. Dividend**

(a) Current Financial Period Reported On

No dividend has been declared or recommended.

(b) Corresponding Period of the Immediately Preceding Financial Year

No dividend has been declared or recommended in 2015.

(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 or recommended.

- 13. If the Group has obtained a general mandate from shareholders for Interested Person Transaction (“IPT”), 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.**

No IPT mandate has been obtained

- 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 720 (1).**

The Company confirms that it has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

- 15. Confirmation by the Board pursuant to Rule 705(5) of the SGX Listing Manual**

On behalf of the Board of Directors of the Company, we confirm, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited first quarter financial results for the period ended 30 September 2016 to be false or misleading in any material respect.

BY ORDER OF THE BOARD

Sun Bingzhong
Executive Chairman and Chief Executive Officer
14 November 2016