ZIWO HOLDINGS LTD.

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

UNAUDITED FINANCIAL STATEMENT FOR THE SECOND QUARTER AND SIX MONTHS ENDED 30 JUNE 2016

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 the Chinese Renminbi ("RMB"), being the functional currency of the Group.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER AND SIX MONTHS PERIOD ENDED 30 JUNE 2016

	2nd Quarter ended 30 June			Half Year ended 30 June		
(RMB'000)	**Unaudited 2016**	Unaudited 2015	**Change %**	**Unaudited 2016**	Unaudited 2015	**Change %**
Revenue	**13,914**	26,031	(46.5)	**25,111**	59,519	(57.8)
Cost of sales	**(14,100)**	(23,220)	(39.3)	**(26,088)**	(50,817)	(48.7)
Gross (Loss)/profit	**(186)**	2,811	(106.6)	**(977)**	8,702	(111.2)
Other income	**17**	352	(95.2)	**55**	677	(91.9)
Selling and distribution expenses	**(2,185)**	(2,559)	(14.6)	**(3,826)**	(4,780)	(20.0)
Administrative expenses	**(3,268)**	(2,548)	28.3	**(5,922)**	(7,853)	(24.6)
Other operating expenses	**(13,918)**	(50,745)	(72.6)	**(13,918)**	(51,025)	(72.7)
Loss before taxation	**(19,540)**	(52,689)	(62.9)	**(24,588)**	(54,279)	(54.7)
Income tax expense	**-**	270	(100.0)	**-**	(209)	(100.0)
Net loss for the period	**(19,540)**	(52,419)	(62.7)	**(24,588)**	(54,488)	(54.9)
Other comprehensive income	**-**	-	-	**-**	-	-
Total comprehensive loss for the period	**(19,540)**	(52,419)	(62.7)	**(24,588)**	(54,488)	(54.9)

1(a)(ii) Other information

The Group's loss before taxation is derived at after charging the following:

	2nd Quarter ended 30 June			Half Year ended 30 June		
	Unaudited	Unaudited	**Change**	**Unaudited**	Unaudited	**Change**
(RMB'000)	**2016**	2015	**%**	**2016**	2015	**%**
Depreciation of property, plant and equipment charged in						
Cost of goods sold	**1,063**	2,340	(54.6)	**2,151**	4,652	(53.8)
Administrative expenses	**425**	488	(12.9)	**850**	977	(13.0)
Selling and distribution expenses	**38**	46	(17.4)	**81**	105	(22.9)
Property, plant and equipment written off	**1,150**	-	n/m	**1,150**	-	n/m
Amortisation of land use rights	**96**	172	(44.2)	**230**	306	(24.8)
Directors' remuneration						
Salaries and related cost	**330**	330	-	**660**	660	-
Share award expenses	**-**	-	-	**-**	2,369	(100.0)
Research and development expenses	**712**	782	(9.0)	**1,055**	1,139	(7.4)
Transportation expenses	**789**	641	23.1	**1,130**	1,234	(8.4)
Travelling expenses	**151**	305	(50.5)	**264**	472	(44.1)
Advertisement expenses	**100**	200	(50.0)	**250**	300	(16.7)
Entertainment expenses	**36**	157	(77.1)	**317**	536	(40.9)
Bad debts written off	**4,435**	-	n/m	**4,435**	-	n/m
Allowance for impairment of trade receivables	**8,297**	4,105	102.1	**8,297**	4,385	89.2
Prepaid know-how written off	**-**	8,500	(100.0)	**-**	8,500	(100.0)
Product defect claims and related expenses	**-**	38,140	(100.0)	**-**	38,140	(100.0)

ZIWO HOLDINGS LTD

UNAUDITED FINANCIAL STATEMENT FOR THE SECOND QUARTER AND SIX MONTHS ENDED 30 JUNE 2016

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	
	Unaudited	Audited	**Unaudited**	Audited
(RMB'000)	**30/6/2016**	31/12/2015	**30/6/2015**	31/12/2015
ASSETS				
Non-Current				
Land use rights	**48,799**	49,029	**-**	-
Property, plant and equipment	**91,662**	94,677	**-**	-
Subsidiaries	**-**	-	**137,078**	137,078
	140,461	143,706	**137,078**	137,078
Current				
Inventories	**7,793**	9,259	**-**	-
Trade and other receivables	**70,549**	66,923	**36,251**	36,251
Other current assets	**488**	175	**-**	-
Cash and cash equivalents	**11,605**	35,880	**175**	346
	90,435	112,237	**36,426**	36,597
Total assets	**230,896**	255,943	**173,504**	173,675
EQUITY AND LIABILITIES				
Capital and Reserves				
Share capital	**185,637**	185,637	**185,637**	185,637
Statutory reserve	**42,794**	42,794	**-**	-
(Accumulated losses)/retained earnings	**(11,795)**	12,793	**(30,480)**	(29,838)
Total equity	**216,636**	241,224	**155,157**	155,799
LIABILITIES				
Current				
Trade and other payables	**13,974**	14,433	**18,347**	17,876
Income tax payable	**286**	286	**-**	-
Total liabilities	**14,260**	14,719	**18,347**	17,876
Total equity and liabilities	**230,896**	255,943	**173,504**	173,675

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

Amount repayable in one year or less, or on demand

None

Amount repayable after one year

None

Details of any collateral

Not applicable.

ZIWO HOLDINGS LTD

UNAUDITED FINANCIAL STATEMENT FOR THE SECOND QUARTER AND SIX MONTHS ENDED 30 JUNE 2016

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.

	2nd Quarter ended 30 June		Half Year ended 30 June	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash flows from operating activities				
Loss before taxation	**(19,540)**	(52,689)	**(24,588)**	(54,279)
Adjustments for:				
Interest Income	**(17)**	(279)	**(43)**	(489)
Loss on disposal of property, plant and equipment	**36**	-	**36**	-
Property, plant and equipment written off	**1,150**	-	**1,150**	-
Depreciation of property, plant and equipment	**1,526**	2,874	**3,082**	5,734
Share award expenses	**-**	-	**-**	2,369
Prepaid know-how written off	**-**	8,500	**-**	8,500
Amortisation of land use rights	**96**	172	**230**	306
Bad debts written off	**4,435**	-	**4,435**	-
Allowance for impairment of trade receivables	**8,297**	4,105	**8,297**	4,385
Operating cash outflows before working capital changes	**(4,017)**	(37,317)	**(7,401)**	(33,474)
Changes in working capital				
Inventories	**116**	(1,781)	**1,466**	(1,236)
Trade and other receivables	**(11,605)**	9,809	**(16,358)**	14,425
Other current assets	**114**	8,728	**(313)**	8,244
Trade and other payables	**(416)**	(1,709)	**(459)**	(1,591)
Cash used in operations	**(15,808)**	(22,270)	**(23,065)**	(13,632)
Interest received	**17**	279	**43**	489
Income tax paid	**-**	(209)	**-**	(1,803)
Net cash flows used in operating activities	**(15,791)**	(22,200)	**(23,022)**	(14,946)
Cash flows from investing activities				
Purchase of property, plant and equipment	**(1,323)**	(1,165)	**(1,323)**	(2,211)
Proceeds from disposal of property, plant and equipment	**70**	-	**70**	-
Refund of deposit for purchase of investment	**-**	-	**-**	100,000
Net cash flows (used in)/ generated from investing activities	**(1,253)**	(1,165)	**(1,253)**	97,789
Net (decrease)/increase in cash and cash equivalents	**(17,044)**	(23,365)	**(24,275)**	82,843
Cash and cash equivalents at beginning of financial period	**28,649**	239,569	**35,880**	133,361
Cash and cash equivalents at end of financial period	**11,605**	216,204	**11,605**	216,204

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
The Group				
Balance at 1 January 2016	**185,637**	**42,794**	**12,793**	**241,224**
Total comprehensive loss for the period	**-**	**-**	**(24,588)**	**(24,588)**
Balance at 30 June 2016	**185,637**	**42,794**	**(11,795)**	**216,636**
Balance at 1 January 2015	183,268	42,794	294,546	520,608
Share award expenses	2,369	-	-	2,369
Total comprehensive loss for the period	-	-	(54,488)	(54,488)
Balance at 30 June 2015	185,637	42,794	240,058	468,489
The Company				
Balance at 1 January 2016	**185,637**	**-**	**(29,838)**	**155,799**
Total comprehensive loss for the period	**-**	**-**	**(642)**	**(642)**
Balance at 30 June 2016	**185,637**	**-**	**(30,480)**	**155,157**
Balance at 1 January 2015	183,268	-	(6,698)	176,570
Share award expenses	2,369	-	-	2,369
Total comprehensive loss for the period	-	-	(834)	(834)
Balance at 30 June 2015	185,637	-	(7,532)	178,105

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 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 immediately preceding financial year.

	Number of ordinary shares	Share capital (RMB'000)
Share capital as at 1 April 2016 and 30 June 2016	373,717,184	185,637

There were no change in the Company's share capital since the end of the previous period reported on and there were no outstanding convertible or treasury shares held as at 30 June 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	
	30 June 2016	**31 December 2015**
No. of ordinary shares in issue	373,717,184	373,717,184

The Company does not have any treasury shares as at 30 June 2016 and 31 December 2015.

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.

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 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 year ending 31 December 2016.

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 adjustment made to the earnings).

	Group			
	2Q16	2Q15	**6M16**	6M15
Loss after income tax (RMB'000)	**(19,540)**	(52,419)	**(24,588)**	(54,488)
Weighted average number of ordinary shares in issue (in '000)	**373,717**	373,717	**373,717**	366,720
Loss per share (RMB cents)				
Basic	**(5.23)**	(14.03)	**(6.58)**	(14.86)
Fully diluted	**(5.23)**	(14.03)	**(6.58)**	(14.86)

The Company does not have dilutive equity instruments as at 30 June 2016 and 30 June 2015.

7. Net assets 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.

	Group		Company	
	30/6/2016	31/12/2015	**30/6/2016**	31/12/2015
Net asset value (RMB'000)	**216,636**	241,224	**155,157**	155,799
Number of ordinary shares in issue (in '000)	**373,717**	373,717	**373,717**	373,717
Net asset value per share (RMB cents)	**57.97**	64.55	**41.52**	41.69

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 three months ended 30 June 2016 ("2Q16"), our Group recorded revenue of RMB 13.9 million, a decrease of approximately RMB 12.1 million or 46.5% from the revenue of RMB 26.0 million from the previous corresponding period ended 30 June 2015 ("2Q15").

The decline in revenue was largely attributed to the cessation of the 30D Filament Yarn production line as well as general decline in demand for the other business segments. Revenue from sandwich mesh fabric declined by 42.4% from RMB 3.3 million in 2Q15 to RMB 1.9 million in 2Q16, while revenue from SBR and other foamed materials declined by 25.7% from RMB 16.1 million to RMB 12.0 million.

Breakdown of revenue by business segments:

(RMB'000)	2Q16	2Q15	Change %	6M16	6M15	Change %
SBR and other foamed materials	**11,996**	16,145	**(25.7)**	**20,061**	32,287	**(37.9)**
30D terylene filament yarn	**-**	6,557	**(100.0)**	**13**	19,641	**(99.9)**
Sandwich mesh fabric	**1,918**	3,329	**(42.4)**	**5,037**	7,591	**(33.6)**
Total	**13,914**	26,031	**(46.5)**	**25,111**	59,519	**(57.8)**

For the six months ended 30 June 2016 ("6M16"), our revenue decreased by approximately RMB 34.4 million or 57.8% from RMB 59.5 million in the previous corresponding period ended 30 June 2015 ("6M15") to RMB 25.1 million in 6M16.

Cost of Sales

Our cost of sales comprise mainly raw material costs, electricity and water costs, direct labour costs and other manufacturing overheads.

Breakdown of costs of sales

(RMB'000)	2Q16	2Q15	Change %	6M16	6M15	Change %
Raw material costs	**9,884**	16,794	**(41.1)**	**19,024**	37,712	**(49.6)**
Electricity and water costs	**665**	1,632	**(59.3)**	**1,222**	3,424	**(64.3)**
Direct labour costs	**1,270**	2,095	**(39.4)**	**2,267**	4,269	**(46.9)**
Other manufacturing overheads	**2,281**	2,699	**(15.5)**	**3,575**	5,412	**(33.9)**
Others		-		**-**	-	
Total	**14,100**	23,220	**(39.3)**	**26,088**	50,817	**(48.7)**

In 2Q16, cost of sales decreased by RMB 9.1 million or 39.2% compared to 2Q15, corresponding to the decline in revenue during the same period. Raw materials cost declined by RMB 6.9 million or 41.1% in line with reduction in production capacity. Electricity and water costs declined by RMB 0.9 million, from RMB 1.6 million in 2Q15 to RMB 0.7 million in 2Q16. Direct labour costs reduced by RMB 0.8 million or 38.1% due to scale back of production headcount. Other manufacturing overheads comprise mainly depreciation expenses, transportation costs and consumables costs. The decrease in manufacturing overheads by RMB 0.4 million or 14.8% was mainly due to decrease in transportation, depreciation and consumables costs.

In 6M16, cost of sales decreased by approximately RMB 24.7 million or 48.6% from RMB 50.8 million in 6M15 which corresponded with the decline in revenue. Raw material costs declined by RMB 18.7 million or 49.6% with the reduction in production capacity. Electricity and water costs declined by RMB 2.2 million or 64.7%, while direct labour costs reduced by RMB 2.0 million or 46.5% due to scale back of production headcount. The decrease in manufacturing overheads by RMB 1.8 million or 33.3% was due to decrease in transportation, depreciation and consumable costs.

Gross Profit Margin

Gross profit margin by product segments:

	2Q16	2Q15	**Change %**	**6M16**	6M15	**Change %**
SBR and other foamed materials	**2.3**	16.6	(14.3)	(1.2)	19.4	(20.6)
30D terylene filament yarn	**-**	(8.8)	8.8	(22.0)	12.6	(34.6)
Sandwich mesh fabric	**(24.2)**	(1.6)	(22.6)	(20.5)	10.6	(31.1)

Overall gross profit margin ("GPM") of the Group declined by approximately 12.1 percentage points from 10.8% in 2Q15 to negative margin of 1.3% in 2Q16 and declined by approximately 18.5 percentage points from 14.6% in 6M15 to negative margin of 3.9% in 6M16.

GPM for SBR and other foamed materials in 2Q16 decreased by 14.3 percentage points to 2.3%, compared to 2Q15. However, GPM for SBR and other foamed materials was negative 1.2% for 6M16 due to the weaker results in the first quarter as previously announced which dragged down the overall margin. Overall reduction in GPM for SBR and other foamed materials was attributed to higher cost of materials brought over from prior year and decrease in production utilisation rates as a result of reduced demand. Sandwich mesh fabric continued to register negative GPM of 24.2% in 2Q16 and 20.5% in 6M16. Gross margin for sandwich mesh fabric declined by 31.1 percentage points from 10.6% to negative margin of 20.5% for 6M16 as demand was severely affected as a result of weakening market sentiments and average market price which has undergone persistant downward pressure.

The Group had also reduced selling price during the quarter as part of their effort to improve inventory turnover. The Group had reduced average selling price of Sandwich mesh fabric by approximately 14% and SBR and other foamed materials by approximately 10%-15% from FY2015 average selling price.

There was no GPM for 30D terylene filament yarn for 2Q16 as we have ceased production for 30D terylene filament yarn as previously announced. Gross margin for 30D terylene filament yarn for 6M16 had the steepest decline of 34.6 percentage points. This was due to clearance of remaining stock of 30D terylene filament yarn in January 2016 at below cost, a brought-forward effect from FY2015 with the cessation of the production line in June 2015.

Other Income

Other income comprise mainly income from sale of scrap materials and interest income from bank deposits. Other income decreased by approximately RMB 335 thousand or 95.2% from RMB 352 thousand in 2Q15 to RMB 17 thousand in 2Q16 mainly due to lower sale of scrap materials in 2Q16. For the half-year results, other income decreased by RMB 622 thousand or 91.9% from RMB 677 thousand in 6M15 to RMB 55 thousand in 6M16 due to decrease in the sale of scrap materials and decrease in interest income from bank deposits.

Selling and Distribution Expenses

Selling and distribution expenses comprise mainly transportation costs, salaries, entertainment expenses, advertisement expenses, R&D expenses, travelling expenses and depreciation expenses. Selling and distribution expenses decreased by approximately RMB 0.4 million or 15.4% from RMB 2.6 million in 2Q15 to RMB 2.2 million in 2Q16. The decrease was due to travelling expenses, entertainment expenses, advertisement expenses, depreciation and research and development expenses. The decrease was partially offset by an increase in transportation expenses.

In 6M16, selling and distribution expenses decreased by approximately RMB 0.1 million or 20.8% from approximately RMB 4.8 million in 6M15 to RMB 3.8 million in 6M16, mainly due to decrease in travelling expenses, entertainment expenses, advertisement expenses, transportation expenses, depreciation and research and development 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 increased by approximately RMB 0.8 million or 32.0% from RMB 2.5 million in 2Q15 to RMB 3.3 million in 2Q16. The increase was mainly due to relocation expenses incurred to shift the machinery to another area of the factory to comply with fire safety requirements. However, the

increase was offset by a general decrease in office expenses, insurance, professional fees, travelling expenses and depreciation.

Administrative expenses decreased by approximately RMB 2.0 million or 25.3% from RMB 7.9 million in 6M15 to RMB 5.9 million in 6M16. The decrease in administrative expenses was largely attributed to general decrease in office expenses, insurance, professional fees, travelling expenses and depreciation

Other Operating Expenses

Other operating expenses comprise mainly allowance for impairment of trade receivables, prepaid know-how written off and product defect claims. In 2Q16, other operating expenses decreased by approximately RMB 36.8 million or 72.6% from RMB 50.7 million in 2Q15 to RMB 13.9 million in 2Q16.

In 2Q15, there was an impairment allowance of RMB 4.1 million, one-time charge of prepaid know-how amounting to RMB 8.5 million written off and product defect claim of RMB 38.1 million as previously announced. The decrease in other operating expenses in 2Q16 was partially offset by property, plant and equipment written off amounting to RMB 1.2 million due to production machinery obsolescence, a higher impairment expense for trade receivables of RMB 8.3 million and bad debts written off of RMB 4.4 million in 2Q16. The impairment charge for trade receivables are in accordance with the Group's policy for long outstanding amounts and are consistent with prior financial periods. The bad debts written off were due to 2 customers who had suddenly ceased operations during the quarter. The Group intends to continue to pursue the outstanding amounts from the 2 customers, including seeking legal recourse if necessary.

Other operating expenses decreased by approximately RMB 37.1 million or 72.7% from RMB 51.0 million in 6M15 to RMB 13.9 million in 6M16 due to the same reasons for the decrease in 2Q16.

Income Tax

There was no income tax expense for 2Q16 and 6M16 as the Group has reported losses.

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

Assets

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

Net book value of property, plant and equipment ("PPE") decreased by approximately RMB 3.0 million from RMB 94.7 million as at 31 December 2015 to RMB 91.7 million as at 30 June 2016 mainly due to the depreciation charge of approximately RMB 3.1 million and PPE written off amounting to RMB 1.2 million due to production machinery obsolescence. The decrease was offset by purchase of new PPE amounting to RMB 1.3 million. Land use rights amounted to RMB 48.8 million as at 30 June 2016 after amortization charge of RMB 230 thousands.

Our current assets comprise inventories, trade and other receivables, other current assets and cash and cash equivalents. Current assets decreased by RMB 21.8 million from RMB 112.2 million as at 31 December 2015 to RMB 90.4 million as at 30 June 2016 mainly due to decrease in cash and cash equivalents offset by increase in trade receivables.

Inventories comprised mainly raw materials, finished goods, work-in-progress ("WIP") and consumables. Inventories decreased by approximately RMB 1.5 million from RMB 9.3 million as at 31 December 2015 to RMB 7.8 million as at 30 June 2015 as a result of smaller quantity of finished goods as at the financial period ended 30 June 2016, including smaller quantity of 30D filament yarn which we have phased out since last year.

Trade and other receivables increased by approximately RMB 3.6 million from RMB 66.9 million as at 31 December 2015 to RMB 70.5 million as at 30 June 2016. Included in other receivables is a deposit amounting to RMB 33.4 million for purchase of new equipment, an increase of RMB 2.0 million from the previous quarter and from 31 December 2015.

Cash and cash equivalents decreased by approximately RMB 24.2 million from RMB 35.9 million as at 31 December 2015 to RMB 11.6 million as at 30 June 2016.

Other current assets comprise mainly prepaid expenses amounting to RMB 488 thousands as at 30 June 2016. Prepaid expenses were RMB 175 thousands as at 31 December 2015.

Liabilities

Our current liabilities amounted to RMB 14.3 million as at 30 June 2016, a decrease of approximately RMB 459 thousands from RMB 14.7 million as at 31 December 2015. This decrease is mainly attributed to decrease in trade and other payables in 2Q16.

Commentary on Statement of Cashflows

Cash flows used in operating activities was RMB 15.8 million in 2Q16 and RMB 23.0 million in 6M16 compared to cash flows used in operating activities of RMB 22.2 million in 2Q15 and RMB 14.9 million in 6M15. This is largely attributed to a smaller operating loss incurred for 2Q16 although a slower debtor turnover has resulted in higher working capital cash outflows in 6M16.

Cash used in investing activities pertains to the purchase of equipment which amounted to RMB 1.3 million in 2Q16. Cash used in investing activities pertaining to the purchase of PPE for 6M16 was RMB 1.3 million.

As at 30 June 2016, the Group's cash and cash equivalents decreased by RMB 17.0 million for the quarter 2Q16 and decreased by RMB 24.3 million for the half year period 6M16.

9. Where a forecast, or a prospect statement, has been previously disclose 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 first quarter results announcement released on 13 May 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 event that may affect the Group in the next reporting period and the next 12 month

Due to the weak business climate caused by faltering global and domestic demands, the Group is experiencing the effects of the persistent slowdown in the manufacturing industry in China. As previously announced, the production line for Filament Yarn has ceased operation. Sandwich mesh is experiencing difficulty in securing orders and production has slowed to their lowest rate since inception. Due to the slowdown in demand for consumers and lifestyle products, coupled with competition from cheaper and more varied alternatives, orders for SBR foam have tapered down and the situation may deteriorate further.

Group revenue and gross profit margin are likely to be affected further. The Company has been actively looking for other business opportunities, including diversification, viable ventures or collaborative opportunities to expand its revenue base.

With reference to the announcement made on 27 June 2016, the Board has proposed that the Group expand its core business to include real estate-related business and commercial activities. In line with the Board's proposal for the proposed diversification, the Company intends to acquire Longrunn Int'l Incheon Limited, whose principal business is to carry on a business related to the provision of consultancy and project management services in the real estate sector.

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 or recommended for the period ended 30 June 2016.

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 second quarter and six months ended 30 June 2016 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
11 August 2016