



ZIWO HOLDINGS LTD.

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

UNAUDITED FINANCIAL STATEMENT FOR THE FIRST QUARTER ENDED 31 MARCH 2015

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 2015

	31 March		% Change
	Unaudited 2015	Unaudited 2014	
(RMB'000)			
Revenue	33,487	36,429	(8.1)
Cost of sales	(27,596)	(31,331)	(11.9)
Gross profit	5,891	5,098	15.6
Other income	325	310	4.8
Selling and distribution expenses	(2,222)	(1,960)	13.4
Administrative expenses	(5,304)	(2,787)	90.3
Other operating expenses	(280)	(98)	185.7
(Loss)/profit before taxation	(1,590)	563	(382.4)
Income tax expense	(479)	(325)	47.4
Net (loss)/profit for the period, representing total comprehensive income for the period	(2,069)	238	(969.3)

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1(a)(ii) Other Information

The Group's profit before taxation is arrived at after charging the following:

	31 March		% Change
	Unaudited 2015	Unaudited 2014	
(RMB'000)			
Depreciation of property, plant and equipment charged in:			
Cost of goods sold	2,313	2,162	7.0
Administrative expenses	489	134	264.9
Selling and distribution expense	59	62	(4.8)
Amortisation of land use rights	134	133	0.8
Interest income	210	184	14.1
Directors' remuneration			
Salaries and related cost	330	330	-
Share award expenses	2,369	-	n/m
Research and development expenses	357	366	(2.5)
Entertainment expenses	379	280	35.4
Travelling expenses	167	153	9.2
Transportation expenses	592	542	9.2
Advertisement expenses	100	156	(35.9)
Allowance for impairment of trade receivables	280	98	185.7

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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 31/3/2015	Audited as at 31/12/2014	Unaudited as at 31/3/2015	Audited as at 31/12/2014
ASSETS				
Non-Current				
Land use rights	49,472	49,606	-	-
Property, plant and equipment	150,683	152,496	-	-
Subsidiaries	-	-	138,458	138,458
	200,155	202,102	138,458	138,458
Current				
Inventories	12,877	13,422	-	-
Trade and other receivables	76,437	181,334	56,251	53,882
Other current assets	9,161	8,677	-	-
Cash and cash equivalents	239,569	133,361	68	61
	338,044	336,794	56,319	53,943
Total assets	538,199	538,896	194,777	192,401
EQUITY AND LIABILITIES				
Capital and Reserves				
Share capital	185,637	183,268	185,637	183,268
Statutory reserve	42,794	42,794	-	-
Retained earnings/(accumulated losses)	292,477	294,546	(7,126)	(6,698)
Total equity	520,908	520,608	178,511	176,570
LIABILITIES				
Non-Current				
Deferred tax liabilities	2,291	2,291	1,240	1,240
Current				
Trade and other payables	14,234	14,116	15,026	14,591
Income tax payable	766	1,881	-	-
	15,000	15,997	15,026	14,591
Total liabilities	17,291	18,288	16,266	15,831
Total equity and liabilities	538,199	538,896	194,777	192,401

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 2015	Unaudited 2014
Cash flows from operating activities		
(Loss)/profit before taxation	(1,590)	563
Adjustments for:		
Interest Income	(210)	(184)
Share award expenses	2,369	-
Depreciation of property, plant and equipment	2,861	2,358
Amortisation of land use rights	134	133
Allowance for impairment of trade receivables	280	98
Operating cash inflows before working capital changes	3,844	2,968
Changes in working capital		
Inventories	545	(3,125)
Trade and other receivables	4,617	3,484
Other current assets	(484)	(436)
Trade and other payables	118	4,869
Cash generated from operation	8,640	7,760
Interest received	210	184
Income tax paid	(1,595)	(1,613)
Net cash flows generated from operating activities	7,255	6,331
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,047)	(1,025)
Refund of deposit for purchase of investment	100,000	-
Net cash flows generated from/(used in) investing activities	98,953	(1,025)
Net increase in cash and cash equivalents	106,208	5,306
Cash and cash equivalents at beginning of financial period	133,361	195,745
Cash and cash equivalents at end of financial period	239,569	201,051

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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	Retaine d earnings RMB'000	Total equity RMB'000
<u>The Group</u>				
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	-	-	(2,069)	(2,069)
Balance at 31 March 2015	185,637	42,794	292,477	520,908

Balance at 1 January 2014	149,593	41,785	289,422	480,800
Total comprehensive income for the period	-	-	238	238
Balance at 31 March 2014	149,593	41,785	289,660	481,038

The Company

Balance at 1 January 2015	183,268	-	(6,698)	176,570
Share award expenses	2,369	-	-	2,369
Total comprehensive loss for the period	-	-	(428)	(428)
Balance at 31 March 2015	185,637	-	(7,126)	178,511

Balance at 1 January 2014	149,593	-	(2,822)	146,771
Total comprehensive loss for the period	-	-	(480)	(480)
Balance at 31 March 2014	149,593	-	(3,302)	146,291

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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 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 31 December 2014	358,817,184	183,268
Share award expenses	14,900,000	2,369
Share capital as at 31 March 2015	<u>373,717,184</u>	<u>185,637</u>

The Company granted 14,900,000 shares as share awards under its Ziwo Share Award Scheme (The "Scheme") to its employees on 25 March 2015. The Scheme was approved by the Company's shareholders on 24 April 2014, in accordance with the Rule 704(29) of the Listing Manual of the Singapore Exchange Securities Trading Limited. An announcement relating to the grant of share awards pursuant to the Scheme was made on the 25 March 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	
	31 March 2015	31 December 2014
No. of ordinary shares in issue	373,717,184	358,817,184

The Company does not have treasury shares as at 31 March 2015 and 31 December 2014.

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.**

Yes.

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 2014.

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).**

	Group	
	31 March 2015	31 March 2014
(Loss)/profit after taxation (RMB'000)	(2,069)	238
Weighted average number of ordinary shares in issue (in '000)	359,645	299,014
(Loss)/earning per share (RMB cents)		
Basic	(0.58)	0.08
Fully diluted	(0.58)	0.08

The Company does not have dilutive equity instruments as at 31 March 2015 and 31 March 2014.

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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.

	Group		Company	
	As at 31/3/2015	As at 31/12/2014	As at 31/3/2015	As at 31/12/2014
Net asset value (RMB'000)	520,908	520,608	178,511	176,570
Number of ordinary shares in issue at the end of the period (in '000)	373,717	358,817	373,717	358,817
Net asset value per share (RMB cents)	139.39	145.09	47.77	49.21

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 2015 ("1Q15") our revenue decreased by approximately RMB 2.9 million or 8.1% from RMB 36.4 million in the corresponding first quarter ended 31 March 2014 ("1Q14") to RMB33.5 million.

The decrease in revenue is largely attributed to slower sales in the Styrene Butadiene Rubber ("SBR") and other foamed materials segment as a result of increasing competition within the industry. Compared to 1Q14, revenue from this segment decreased by 31.6% from RMB 23.6 million to RMB 16.1 million in 1Q15. Contraction in the SBR segment was partially offset by improved sales in 30D terylene filament yarn as revenue from 30D terylene filament yarn increased by 66.5% from RMB 7.9 million in 1Q14 to RMB 13.1 million in 1Q15. Revenue from sandwich mesh fabric decreased slightly by 11.4% from RMB 4.8 million to RMB 4.3 million.

Breakdown of revenue by business segments:

(RMB'000)	1Q15	1Q14	Change %
SBR and other foamed materials	16,141	23,605	(31.6)
30D terylene filament yarn	13,084	7,858	66.5
Sandwich mesh fabric	4,262	4,813	(11.4)
Trading & Others	-	153	(100.0)
Total	33,487	36,429	(8.1)

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Cost of Sales

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

Breakdown of cost of sales:

(RMB'000)	1Q15	1Q14	Change %
Raw material costs	20,533	24,482	(16.1)
Electricity and water costs	1,792	1,637	9.5
Direct labour costs	2,173	2,399	(9.4)
Other manufacturing overheads	2,713	2,659	2.0
Others	385	154	150.0
Total	27,596	31,331	(11.9)

Cost of sales decreased by approximately RMB 3.7 million or 11.9% from RMB 31.3 million in 1Q14 to RMB 27.6 million in 1Q15 mainly due to the decrease in raw material costs and direct labour cost in conjunction with the decrease in revenue. The decrease is offset by an increase in costs of electricity and water and other manufacturing overheads.

Gross Profit Margin*Gross profit margin by product segments:*

(%)	1Q15	1Q14	Change ppts
SBR and other foamed materials	17.2	15.3	1.9
30D terylene filament yarn	12.6	7.2	5.4
Sandwich mesh fabric	10.6	19.2	(8.6)

Gross profit increased by RMB0.8 million from RMB 5.1 million in 1Q14 to RMB 5.9 million in 1Q15. Overall gross profit margin of the Group increased by 3.6 percentage points from 14.0% in 1Q14 to 17.6% in 1Q15. Despite increasing competition within the SBR segment, gross profit margins improved by 1.9 percentage points from 15.3% in 1Q14 to 17.2% in 1Q15 due to better productivity and reduced manufacturing costs. Gross profit margins for 30D terylene filament yarn improved by 5.4 percentage points from 7.2% in 1Q14 to 12.6% in 1Q15 due to reduction in raw material costs. Gross profit margin for Sandwich mesh fabric decreased by 8.6 percentage points from 19.2% in 1Q14 to 10.6% in 1Q15 due to higher manufacturing overheads.

Other Income

Other income comprise mainly income from sale of scrap materials and interest income from bank deposits. Other income increased by approximately RMB 15,000 in 1Q15 mainly due to increase in the sale of scrap materials.

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 increased by approximately RMB 0.2 million or 13.4% mainly due to increase in entertainment expenses, transportation expenses, travelling expenses and salaries. The increase was partially offset by a reduction in advertisement 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 significantly by approximately RMB2.5 million or 90.3% from RMB 2.8 million in 1Q14 to RMB 5.3 million in 1Q15 mainly due to an increase in depreciation expenses of approximately RMB 0.4 million and share award expenses of approximately RMB 2.4 million in 1Q15.

Other Operating Expenses

Other operating expenses increased from approximately RMB 98,000 in 1Q14 to approximately RMB 280,000 in 1Q15 due to an increase in allowance for impairment of trade receivables. An additional allowance for impairment of trade receivables was charged on long outstanding trade receivables amounting to RMB 280,000 in 1Q15.

Income Tax

Income tax expense increased marginally from RMB 0.3 million in 1Q14 to RMB 0.5 million in 1Q15.

- (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 RMB1.8 million from RMB152.5 million as at 31 December 2014 to approximately RMB150.7 million as at 31 March 2015 mainly due to depreciation charge incurred during the period and offset by addition of plant and equipments amounting to RMB 1.0 million in 1Q15.

Land use rights amounted to RMB49.5 million as at 31 March 2015 after amortisation charge of approximately RMB 134,000.

Current Assets

Our current assets comprise mainly inventories, trade and other receivables, other current assets and cash and cash equivalent. Current assets increased by RMB 1.2 million from RMB 336.8 million as at 31 December 2014 to RMB 338.0 million as at 31 March 2015.

Inventories comprised mainly raw materials, finished goods, work-in-progress (“WIP”) and consumables. Inventories decreased by approximately RMB 0.5 million from approximately RMB 13.4 million as at 31 December 2014 to approximately RMB 12.9 million as at 31 March 2015. The decrease was mainly attributable to lower raw material stock at the end of 1Q15.

Trade and other receivables decreased by approximately RMB 104.9 million from RMB 181.3 million as at 31 December 2014 to RMB 76.4 million as at 31 March 2015 mainly due to the refund of deposit for purchase of investment amounting to RMB 100 million and allowance for impairment of trade receivables amounting to approximately RMB 280,000 in 1Q15.

Other current assets comprise mainly prepaid and deferred expenses and it increased by approximately RMB 0.5 million mainly due to higher prepaid expenses.

Current Liabilities

Our current liabilities comprise mainly trade and other payables and income tax payable. Our current liabilities amounted to RMB15.0 million as at 31 March 2015, a decrease of RMB1.0 million from RMB16.0 million as at 31 December 2014. This decrease is mainly attributed to reduction in income tax payable in 1Q15.

Commentary on Statement of Cashflows

Cash generated from operating activities increased by RMB 1.0 million from RMB 6.3 million in 1Q14 to RMB 7.3 million in 1Q15 after adjustments for the effects of non-cash items and transactions. This is mainly due to improved cash flows from operation amounting to approximately RMB 0.8 million from RMB 3.0 million in 1Q14 to RMB 3.8 million in 1Q15.

Significant increase in net cash flows generated from investing activities was mainly due to refund of deposit for investment amounting to RMB 100 million.

As at 31 March 2015, the Group’s cash and cash equivalent increased by RMB 106.2 million from RMB 133.4 million as at 31 December 2014 to RMB 239.6 million as at 31 March 2015.

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

Not applicable

- 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 expects the competition in the respective business segments to continue to intensify, particularly in the SBR and other foamed materials segment. Although margins have remained healthy due to lower raw material costs and cost-cutting measures, average selling prices continue to face downward pressure. The Group also expects the uncertainty in the current economic environment to persist, The Group is of the view that raw material prices is likely to be volatile going forward. The Group will continue to be vigilant on its cost control and cashflow management.

- 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 2015.

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13. Use of Proceeds from the Placement

The Company had completed a placement of 59,802,864 new ordinary shares amounting to approximately S\$6.91 million in the capital of the Company in May 2014 (the "Placement"). The Company will make an announcement when the net proceeds from the Placement are materially disbursed.

14. 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.

15. 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 2015 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Ting Chun Yuen
Executive Chairman & CEO
14 May 2015