ZIWO HOLDINGS LTD.

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

UNAUDITED FINANCIAL STATEMENT FOR THE FIRST QUARTER ENDED 31 MARCH 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 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 2016

	31 March		
	Unaudited 2016	Unaudited 2015	**% Change**
(RMB'000)			
Revenue	**11,196**	33,487	**(66.6)**
Cost of sales	**(11,987)**	(27,596)	**(56.6)**
Gross (loss)/profit	**(791)**	5,891	**(113.4)**
Other income	**39**	325	**(88.0)**
Selling and distribution expenses	**(1,642)**	(2,222)	**(26.1)**
Administrative expenses	**(2,654)**	(5,304)	**(50.0)**
Other operating expenses	**-**	(280)	**(100.0)**
Loss before taxation	**(5,048)**	(1,590)	**217.5**
Income tax expense	**-**	(479)	**(100.0)**
Net loss for the period, representing total comprehensive loss for the period	**(5,048)**	(2,069)	**144.0**

1(a)(ii) Other Information

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

	31 March		
(RMB'000)	**Unaudited 2016**	Unaudited 2015	**% Change**
Depreciation of property, plant and equipment charged in:			
Cost of goods sold	**1,088**	2,313	**(53.0)**
Administrative expenses	**425**	489	**(13.1)**
Selling and distribution expense	**43**	59	**(27.1)**
Amortisation of land use rights	**134**	134	**-**
Interest income	**(27)**	(210)	**(87.1)**
Directors' remuneration			
Salaries and related cost	**330**	330	**-**
Share award expenses	**-**	2,369	**(100.0)**
Research and development expenses	**343**	357	**(3.9)**
Entertainment expenses	**281**	379	**(25.9)**
Travelling expenses	**113**	167	**(32.3)**
Transportation expenses	**341**	592	**(42.4)**
Advertisement expenses	**150**	100	**50.0**
Allowance for impairment of trade receivables	**-**	280	**(100.0)**

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	
(RMB'000)	**Unaudited as at 31/3/2016**	Audited as at 31/12/2015	**Unaudited as at 31/3/2016**	Audited as at 31/12/2015
ASSETS				
Non-Current				
Land use rights	**48,895**	49,029	**-**	-
Property, plant and equipment	**93,121**	94,677	**-**	-
Subsidiaries	**-**	-	**137,078**	137,078
	142,016	143,706	**137,078**	137,078
Current				
Inventories	**7,909**	9,259	**-**	-
Trade and other receivables	**71,675**	66,923	**36,251**	36,251
Other current assets	**603**	175	**-**	-
Cash and cash equivalents	**28,649**	35,880	**191**	346
	108,836	112,237	**36,442**	36,597
Total assets	**250,852**	255,943	**173,520**	173,675
EQUITY AND LIABILITIES				
Capital and Reserves				
Share capital	**185,637**	185,637	**185,637**	185,637
Statutory reserve	**42,794**	42,794	**-**	-
Retained earnings/(accumulated losses)	**7,745**	12,793	**(30,117)**	(29,838)
Total equity	**236,176**	241,224	**155,520**	155,799
LIABILITIES				
Current				
Trade and other payables	**14,390**	14,433	**18,000**	17,876
Income tax payable	**286**	286	**-**	-
Total liabilities	**14,676**	14,719	**18,000**	17,876
Total equity and liabilities	**250,852**	255,943	**173,520**	173,675

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

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.

	31 March	
	Unaudited	Unaudited
(RMB'000)	**2016**	2015
Cash flows from operating activities		
Loss before taxation	**(5,048)**	(1,590)
Adjustments for:		
Interest Income	**(27)**	(210)
Share award expenses	**-**	2,369
Depreciation of property, plant and equipment	**1,556**	2,861
Amortisation of land use rights	**134**	134
Allowance for impairment of trade receivables	**-**	280
Operating cash (outflows)/inflows before working capital changes	**(3,385)**	3,844
Changes in working capital		
Inventories	**1,350**	545
Trade and other receivables	**(4,752)**	4,617
Other current assets	**(428)**	(484)
Trade and other payables	**(43)**	118
Cash (used in)/generated from operation	**(7,258)**	8,640
Interest received	**27**	210
Income tax paid	**-**	(1,595)
Net cash flows (used in)/generated from operating activities	**(7,231)**	7,255
Cash flows from investing activities		
Purchase of property, plant and equipment	**-**	(1,047)
Refund of deposit for purchase of investment	**-**	100,000
Net cash flows generated from investing activities	**-**	98,953
Net (decrease)/increase in cash and cash equivalents	**(7,231)**	106,208
Cash and cash equivalents at beginning of financial period	**35,880**	133,361
Cash and cash equivalents at end of financial period	**28,649**	239,569

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	Statutory reserve	Retained earnings	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000
The Group				
Balance at 1 January 2016	**185,637**	**42,794**	**12,793**	**241,224**
Total comprehensive loss for the period	**-**	**-**	**(5,048)**	**(5,048)**
Balance at 31 March 2016	**185,637**	**42,794**	**7,745**	**236,176**
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
The Company				
Balance at 1 January 2016	**185,637**	**-**	**(29,838)**	**155,799**
Total comprehensive loss for the period	**-**	**-**	**(279)**	**(279)**
Balance at 31 March 2016	**185,637**	**-**	**(30,117)**	**155,520**
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

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.

	Number of ordinary shares	Share capital (RMB'000)
Share capital as at 31 December 2015 and 31 March 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 31 March 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 proceeding year.

	Company	
	31 March 2016	31 December 2015
No. of ordinary shares in issue	**373,717,184**	373,717,184

The Company does not have treasury shares as at 31 March 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 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 year ended 31 December 2015.

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 2016	31 March 2015
Loss after taxation (RMB'000)	**(5,048)**	(2,069)
Weighted average number of ordinary shares in issue (in '000)	**373,717**	359,645
Loss per share (RMB cents)		
Basic	**(1.35)**	(0.58)
Fully diluted	**(1.35)**	(0.58)

The Company does not have dilutive equity instruments as at 31 March 2016 and 31 March 2015.

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 31/3/2016	As at 31/12/2015	**As at 31/3/2016**	As at 31/12/2015
Net asset value (RMB'000)	**236,176**	241,224	**155,520**	155,799
Number of ordinary shares in issue at the end of the period (in '000)	**373,717**	373,717	**373,717**	373,717
Net asset value per share (RMB cents)	**63.20**	64.55	**41.61**	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 first quarter ended 31 March 2016 ("1Q16") our revenue decreased by approximately RMB 22.3 million or 66.6% from RMB 33.5 million in the corresponding first quarter ended 31 March 2015 ("1Q15") to RMB 11.2 million.

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 26.8% from RMB 4.3 million in 1Q15 to RMB 3.1 million in 1Q16, while revenue from SBR and other foamed materials declined by 50.0% from RMB 16.1 million to RMB 8.1 million.

Breakdown of revenue by business segments:

(RMB'000)	**1Q16**	1Q15	**Change %**
SBR and other foamed materials	**8,065**	16,141	**(50.0)**
30D terylene filament yarn	**12**	13,084	**(99.9)**
Sandwich mesh fabric	**3,119**	4,262	**(26.8)**
Total	**11,196**	33,487	**(66.6)**

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)	**1Q16**	1Q15	**Change %**
Raw material costs	**9,140**	20,533	(55.5)
Electricity and water costs	**557**	1,792	(68.9)
Direct labour costs	**997**	2,173	(54.1)
Other manufacturing overheads	**1,293**	2,713	(52.3)
Others	**-**	385	(100.0)
Total	**11,987**	27,596	(56.6)

Cost of sales decreased by approximately RMB 15.6 million or 56.6% from RMB 27.6 million in 1Q15 to RMB 12.0 million in 1Q16, corresponding to the decline in revenue. Raw material costs declined by RMB 11.4 million or 55.5% with the reduction in production capacity. Electricity and water costs declined by RMB 1.2 million or 68.9%, while direct labour costs reduced by RMB 1.2 million or 54.1% due to scale back of production headacount. The decrease in manufacturing overheads by RMB 1.4 million or 52.3% was due to decrease in transportation, depreciation expenses and consumable costs.

Gross Profit Margin

Gross profit margin by product segments:

(%)	1Q16	**1Q15**	**Change ppts**
SBR and other foamed materials	(2.9)	**17.2**	**(20.1)**
30D terylene filament yarn	(132.1)	**12.6**	**(144.7)**
Sandwich mesh fabric	(15.1)	**10.6**	**(25.7)**

Overall gross profit margin of the Group declined by approximately 24.7 percentage points from 17.6% in 1Q15 to negative margin of 7.1% in 1Q16. This is attributed to higher cost of materials brought over from prior year and decrease in production utilisation rates as a result of reduced demand. The Group has also reduced selling price during the quarter as part of their effort to improve inventory turnover and deal with keen market competition, and to this end the Group 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.

Gross margin for 30D terylene filament yarn had the most significant decline by 144.7 percentage points. This was due to clearance of remaining stock of 30D terylene filament yarn in Jan 2016 at below cost, a brought-forward effect from FY2015 with the cessation of the production line in June 2015. Gross margin for sandwich mesh fabric declined by 25.7 percentage points from 10.6% to negative margin of 15.1% as demand was severely affected as a result of weakening market sentiments. Gross margin for SBR and other foamed materials declined by 20.1 percentage points from 17.2% in 1Q15 to negative margin of 2.9% in 1Q16

Other Income

Other income comprise mainly income from sale of scrap materials and interest income from bank deposits. Other income decreased by approximately RMB 286 thousands in 1Q16 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 increased by approximately RMB 0.6 million or 26.1% mainly due to decrease in entertainment expenses, transportation expenses, travelling expenses and salaries. The decrease was partially offset by an increase 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 decreased by approximately RMB 2.6 million or 50.0% from RMB 5.3 million in 1Q15 to RMB 2.7 million in 1Q16. The decrease in administrative expenses was largely attributed to share award expenses amounting to RMB 2.4 million in 1Q15 and decrease in depreciation expenses in 1Q16.

Income Tax

There is no income tax expense in 1Q16 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 RMB1.6 million from RMB 94.7 million as at 31 December 2015 to approximately RMB 93.1 million as at 31 March 2016 mainly due to depreciation charge incurred during the period.

Land use rights amounted to RMB48.9 million as at 31 March 2016 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 3.4 million from RMB 112.2 million as at 31 December 2015 to RMB 108.8 million as at 31 March 2016.

Inventories comprised mainly raw materials, finished goods, work-in-progress ("WIP") and consumables. Inventories decreased by approximately RMB 1.4 million from approximately RMB 9.3 million as at 31 December 2015 to approximately RMB 7.9 million as at 31 March 2016. The decrease was mainly attributable to lower raw material stock at the end of 1Q16.

Trade and other receivables increased by approximately RMB 4.8 million from RMB 66.9 million as at 31 December 2015 to RMB 71.7 million as at 31 March 2016. Trade receivables increased by RMB 4.7 million while other receivables increased by RMB 0.1 million. Included in other receivables is a deposit amounting to RMB 31.4 million for purchase of new equipments.

Other current assets comprise mainly prepaid expenses and it increased by approximately RMB 428 thousands due to higher prepaid advertising expenses during the quarter.

Current Liabilities

Our current liabilities comprise mainly trade and other payables and income tax payable. Compared to 31 Dec 2015, there is no significant change and current liabilities remained approximately at RMB 14.7 million as at 31 March 2016.

Commentary on Statement of Cashflows

Cash used in operating activities was RMB 7.2 million in 1Q16 compared to cash generated from operating activities of RMB 7.3 million in 1Q15. This is due to net loss in 1Q16 as a result of weakening economic conditions which had impacted operating cash flows.

There was no cash used in investing activities in 1Q16. Net cash flows generated from investing activities in 1Q15 was mainly due to refund of deposit for investment amounting to RMB 100 million.

As at 31 March 2016, the Group's cash and cash equivalent decreased by RMB 7.3 million from RMB 35.9 million as at 31 December 2015 to RMB 28.6 million as at 31 March 2016.

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 29 February 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.

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. Our previous product, 30D Filament Yarn, became obsolete and replaced by warped yarn in FY2015. 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 in recent months as well.

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.

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 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 first quarter and three months ended 31 March 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
13 May 2016