ZIWO HOLDINGS LTD.

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

UNAUDITED FINANCIAL STATEMENT FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 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 THIRD QUARTER AND NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016

	Third Quarter ended 30 September			Nine Months ended 30 September		
	2016	2015	**Change**	**2016**	2015	**Change**
(RMB'000)	**Unaudited**	Unaudited	**%**	**Unaudited**	Unaudited	**%**
Revenue	**12,414**	17,630	(29.6)	**37,525**	77,149	(51.4)
Cost of sales	**(12,520)**	(16,778)	(25.4)	**(38,608)**	(67,595)	(42.9)
Gross (loss)/profit	**(106)**	852	(112.4)	**(1,083)**	9,554	(111.3)
Other income	**62**	253	(75.5)	**118**	930	(87.3)
Selling and distribution expenses	**(2,269)**	(10,190)	(77.7)	**(6,095)**	(14,971)	(59.3)
Administrative expenses	**(1,951)**	(3,718)	(47.5)	**(7,873)**	(11,570)	(32.0)
Other operating expenses	**(1,741)**	(200,082)	(99.1)	**(15,659)**	(251,107)	(93.8)
Loss before taxation	**(6,005)**	(212,885)	(97.2)	**(30,592)**	(267,164)	(88.5)
Income tax expense	**-**	-	-	**-**	(209)	(100.0)
Net loss for the period	**(6,005)**	(212,885)	(97.2)	**(30,592)**	(267,373)	(88.6)
Other comprehensive income	**-**	-	-	**-**	-	-
Total comprehensive loss for the period	**(6,005)**	(212,885)	(97.2)	**(30,592)**	(267,373)	(88.6)

1(a)(ii) Other information

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

	Third Quarter ended 30 September			Nine Months ended 30 September		
	2016	2015	**Change**	**2016**	2015	**Change**
(RMB'000)	**Unaudited**	Unaudited	**%**	**Unaudited**	Unaudited	**%**
Depreciation of property, plant and equipment charged in						
Cost of goods sold	**1,043**	1,187	(12.1)	**3,194**	5,818	(45.1)
Administrative expenses	**424**	625	(32.2)	**1,274**	1,602	(20.5)
Selling and distribution expenses	**38**	68	(44.1)	**119**	194	(38.7)
Amortisation of land use rights	**172**	120	43.3	**402**	426	(5.6)
Property, plant and equipment written off	**-**	-	-	**1,150**	-	Nm
Interest income	**6**	217	(97.2)	**50**	706	(92.9)
Loss on disposal of property, plant and equipment	**-**	-	-	**1,187**	**-**	Nm
Directors' remuneration						
Salaries and related cost	**210**	330	(36.4)	**870**	990	(12.1)
Research and development expenses	**668**	8,785	(92.4)	**1,724**	9,923	(82.6)
Transportation expenses	**669**	438	(52.7)	**1,799**	1,671	7.7
Travelling expenses	**197**	90	(118.9)	**460**	562	(18.1)
Advertisement expenses	**200**	150	(33.3)	**450**	450	-
Entertainment expenses	**133**	171	(22.2)	**450**	707	(36.4)
Impairment of property plant and equipment	**-**	48,961	(100.0)	**-**	48,961	(100.0)
Tax penalty	**-**	39,023	(100.0)	**-**	39,023	(100.0)
Write-down of inventories	**-**	2,848	(100.0)	**-**	2,848	(100.0)
Late delivery compensation	**-**	4,687	(100.0)	**-**	4,687	(100.0)
Allowance for impairment of trade receivables	**1,741**	8,524	(79.6)	**10,037**	12,909	(22.2)
Bad debt written off	**-**	-	-	**4,435**	-	Nm
Prepaid know-how written off	**-**	-	-	**-**	8,500	(100.0)
Product defect claims and related expenses	**-**	96,039	(100.0)	**-**	134,180	(100.0)

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UNAUDITED FINANCIAL STATEMENT FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 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	
(RMB'000)	**30/9/2016**	31/12/2015	**30/9/2016**	31/12/2015
	Unaudited	Audited	**Unaudited**	Audited
ASSETS				
Non-Current				
Land use rights	**48,627**	49,029	**-**	-
Property, plant and equipment	**95,970**	94,677	**-**	-
Subsidiaries	**-**	-	**137,078**	137,078
	144,597	143,706	**137,078**	137,078
Current				
Inventories	**7,719**	9,259	**-**	-
Trade and other receivables	**69,394**	66,923	**36,251**	36,251
Other current assets	**261**	175	**-**	-
Cash and cash equivalents	**2,763**	35,880	**76**	346
	80,137	112,237	**36,327**	36,597
Total assets	**224,734**	255,943	**173,405**	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	**(17,799)**	12,793	**(30,750)**	(29,838)
Total equity	**210,632**	241,224	**154,887**	155,799
LIABILITIES				
Current				
Trade and other payables	**13,816**	14,433	**18,518**	17,876
Income tax payable	**286**	286	**-**	-
Total liabilities	**14,102**	14,719	**18,518**	17,876
Total equity and liabilities	**224,734**	255,943	**173,405**	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.

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UNAUDITED FINANCIAL STATEMENT FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 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.

	Third Quarter ended 30 September		Nine Months ended 30 September	
(RMB'000)	**2016**	2015	**2016**	2015
Cash flows from operating activities				
Loss before taxation	**(6,005)**	(212,885)	**(30,592)**	(267,164)
Adjustments for:				
Interest Income	**(6)**	(217)	**(50)**	(706)
Depreciation of property, plant and equipment	**1,505**	1,880	**4,586**	7,615
Property, plant and equipment written off	**-**	-	**1,150**	**-**
Share award expenses	**-**	-	**-**	2,369
Prepaid know-how written off	**-**	-	**-**	8,500
Loss on disposal of property, plant and equipment	**-**	-	**36**	-
Impairment of property, plant and equipment	**-**	48,961	**-**	48,961
Amortisation of land use rights	**172**	120	**402**	426
Write-down of inventories	**-**	2,848	**-**	2,848
Bad debt written off	**-**	-	**4,435**	-
Allowance for impairment of trade receivables	**1,741**	8,524	**10,037**	12,908
Operating cash outflows before working capital changes	**(2,593)**	(150,769)	**(9,996)**	(184,243)
Changes in working capital				
Inventories	**74**	641	**1,540**	(595)
Trade and other receivables	**(6,398)**	(36,674)	**(22,755)**	(22,247)
Other current assets	**228**	87	**(84)**	8,330
Trade and other payables	**(159)**	1,619	**(618)**	28
Cash used in operations	**(8,848)**	(185,096)	**(31,913)**	(198,727)
Interest received	**6**	217	**50**	706
Income tax paid	**-**	-	**-**	(1,804)
Net cash flows used in operating activities	**(8,842)**	(184,879)	**(31,863)**	(199,825)
Cash flows from investing activities				
Purchase of property, plant and equipment	**-**	-	**(1,324)**	(2,211)
Proceed from disposal of property, plant and equipment	**-**	-	**70**	-
Refund of deposit for purchase of investment	**-**	-	**-**	100,000
Net cash flows (used in)/generated from investing activities	**-**	-	**(1,254)**	97,789
Net decrease in cash and cash equivalents	**(8,842)**	(184,879)	**(33,117)**	(102,036)
Cash and cash equivalents at beginning of financial period	**11,605**	216,204	**35,880**	133,361
Cash and cash equivalents at end of financial period	**2,763**	31,325	**2,763**	31,325

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	**-**	**-**	**(30,592)**	**(30,592)**
Balance at 30 September 2016	**185,637**	**42,794**	**(17,799)**	**210,632**
Balance at 1 January 2015	183,268	42,794	294,546	520,608
Issue of new shares	2,369	-	-	2,369
Total comprehensive loss for the period	-	-	(267,373)	(267,373)
Balance at 30 September 2015	185,637	42,794	27,173	255,604
The Company				
Balance at 1 January 2016	**185,637**	**-**	(29,838)	155,799
Total comprehensive loss for the period	**-**	**-**	(912)	(912)
Balance at 30 September 2016	**185,637**	**-**	**(30,750)**	154,887
Balance at 1 January 2015	183,268	-	(6,698)	176,570
Issue of new shares	2,369	-	-	2,369
Total comprehensive loss for the period	-	-	(16,684)	(16,684)
Balance at 30 September 2015	185,637	-	(23,382)	162,255

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 July 2016 and 30 September 2016	373,717,184	185,637

There were no outstanding convertibles or treasury shares held as at 30 September 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 preceding year.

	Company	
	30 September 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 September 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 retained earnings 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			
	3Q16	3Q15	**9M16**	9M15
Loss after income tax (RMB'000)	**(6,005)**	(212,885)	**(30,592)**	(267,373)
Weighted average number of ordinary shares in issue (in '000)	**373,717**	373,717	**373,717**	369,078
Loss per share (RMB cents)				
Basic	**(1.61)**	(56.96)	**(8.19)**	(72.44)
Fully diluted	**(1.61)**	(56.96)	**(8.19)**	(72.44)

The Company does not have dilutive equity instruments as at 30 September 2016 and 30 September 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	
	30/9/2016	31/12/2015	**30/9/2016**	31/12/2015
Net asset value (RMB'000)	**210,632**	241,224	**154,887**	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)	**56.36**	64.55	**41.44**	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

Revenue

For the three months ended 30 September 2016 ("3Q16"), our Group recorded revenue of RMB 12.4 million, a decrease of approximately RMB 5.2 million or 29.5% from the revenue of RMB 17.6 million from the previous corresponding period ended 30 September 2015 ("3Q15").

The decline in revenue in 3Q16 was largely attributed to a general decline in demand for our products. Revenue from sandwich mesh fabric declined by 56.0% from RMB 2.5 million in 3Q15 to RMB 1.1 million in 3Q16, while revenue from SBR and other foamed materials declined by 25.2% from RMB 15.1 million to RMB 11.3 million.

For the nine months ended 30 September 2016 ("9M16"), our revenue decreased by approximately RMB 39.6 million or 51.4% from RMB 77.1 million in the previous corresponding period ended 30 September 2015 ("9M15") to RMB 37.5 million in 9M16.

Breakdown of revenue by business segments:

(RMB'000)	**3Q16**	3Q15	**Change %**	**9M16**	9M15	**Change %**
SBR and other foamed materials	**11,325**	15,105	**(25.0)**	**31,386**	47,391	**(33.8)**
30D terylene filament yarn	**-**	-	**-**	**13**	19,641	**(99.9)**
Sandwich mesh fabric	**1,089**	2,525	**(56.9)**	**6,126**	10,117	**(39.5)**
Total	**12,414**	17,630	**(29.6)**	**37,525**	77,149	**(51.4)**

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)	**3Q16**	3Q15	**Change %**	**9M16**	9M15	**Change %**
Raw material costs	**10,359**	12,819	(19.2)	**29,383**	50,531	(41.9)
Electricity and water costs	**633**	560	13.0	**1,855**	3,984	(53.4)
Direct labour costs	**1,053**	1,984	(46.9)	**3,320**	6,253	(46.9)
Other manufacturing overheads	**475**	1,415	(66.4)	**4,050**	6,827	(40.7)
Total	**12,520**	16,778	(25.4)	**38,608**	67,595	(42.9)

In 3Q16, cost of sales decreased by RMB 4.3 million or 25.4% compared to 3Q15, corresponding to the decline in revenue during the same period. Raw materials cost declined by RMB 2.4 million or 19.2% in line with reduction in production. Electricity and water costs increased by RMB 73 thousand or 13%, from RMB 560 thousand in 3Q15 to RMB 633 thousand in 3Q16. Direct labour costs reduced by RMB 931 thousand or 46.9% 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 940 thousand or 66.4% was due to decrease in transportation, depreciation expenses and consumables costs.

In 9M16, cost of sales decreased by approximately RMB 29.0 million or 42.9% from RMB 67.6 million in 9M15 to RMB 38.6 million in 9M16 which correspond with the reduction in revenue. Raw material costs declined by RMB 21.1 million or 41.9% with the reduction in production. Electricity and water costs declined by RMB 2.1 million or 53.4%, while direct labour costs reduced by RMB 2.9 million or 46.9% due to scale back of production headcount. The decrease in

manufacturing overheads by RMB 2.8 million or 40.7% was due to decrease in transportation, depreciation and consumable costs.

Gross Profit Margin

Gross profit margin by product segments:

	3Q16	3Q15	**Change %**	**9M16**	9M15	**Change %**
SBR and other foamed materials	**1.2**	14.5	(13.3)	**0.4**	17.6	(17.2)
30D terylene filament yarn	**-**	-	-	**(130.8)**	10.1	(140.9)
Sandwich mesh fabric	**(24.0)**	(27.0)	3.0	**(19.5)**	(1.2)	(18.3)

Overall gross profit margin ("GPM") of the Group declined by approximately 5.7 percentage points from 4.8% in 3Q15 to negative margin of 0.9% in 3Q16 and declined by approximately 15.3 percentage points from 12.4% in 9M15 to negative margin of 2.9% in 9M16.

GPM for SBR and other foamed materials in 3Q16 decreased by 13.3 percentage points to 1.2%, compared to 3Q15. GPM for SBR and other foamed materials was 0.4% for 9M16 due to the weaker results in the first half 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 24.0% in 3Q16 and 19.5% in 9M16. Gross margin for sandwich mesh fabric declined by 18.3 percentage points from negative margin of 1.2% to negative margin of 19.5% for 9M16 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 3Q16 as we have ceased production for 30D terylene filament yarn as previously announced. Gross margin for 30D terylene filament yarn for 9M16 had the steepest decline of 140.9 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 191 thousand or 75.5% from RMB 253 thousand in 3Q15 to RMB 62 thousand in 3Q16 mainly due to lower sale of scrap materials in 3Q16.

For the half-year results, other income decreased by RMB 812 thousand or 87.3% from RMB 930 thousand in 9M15 to RMB 118 thousand in 9M16 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 7.9 million or 77.5% from RMB 10.2 million in 3Q15 to RMB 2.3 million in 3Q16. The decrease was mainly due to a previous one-time expense of approximately RMB 8.0 million of research and development expense incurred in purchasing know-how relating to the development of SBR and other foamed materials in 3Q2015.

In 9M16, selling and distribution expenses decreased by approximately RMB 8.9 million or 59.3% from approximately RMB 15.0 million in 9M15 to RMB 6.1 million in 9M16, mainly due to decrease in travelling expenses, entertainment 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 decreased by approximately RMB 1.7 million or 45.9% from RMB 3.7 million in 3Q15 to RMB 2.0 million in 3Q16. The decrease was mainly attributed to professional fee, staff welfare and depreciation. However, the decrease was partly offset by a general increase in office expenses and insurance.

Administrative expenses decreased by RMB 3.7 million or 31.9% from RMB 11.6 million in 9M15 to RMB 7.9 million in 9M16. The decrease in administrative expenses was largely attributed to share award expenses in 9M15 and general decrease in professional fee, staff welfare, travelling expenses and depreciation

Other Operating Expenses

Other operating expenses comprise mainly allowance for impairment of trade receivables, bad debt written off and property, plant and equipment written down. In 3Q16, other operating expenses decreased by approximately RMB 198.4 million or 99.2% from RMB 200.1 million in 3Q15 to RMB 1.7 million in 3Q16.

In 3Q15, there was an impairment of property, plant and equipment amounting to RMB 49.0 million, allowance for impairment of trade receivables of RMB 8.5 million, write down of inventories of RMB 2.8 million and one-time charge of product defect claim of RMB 96.0 million, late delivery compensation of RMB 4.7 million, and tax penalty of RMB 39.0 million. Other operating expenses in 3Q16 was mainly due to impairment expense for trade receivables of RMB 1.7 million in 3Q16.

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.

Other operating expenses decreased by approximately RMB 235.4 million or 93.7% from RMB 251.1 million in 9M15 to RMB 15.7 million in 9M16 due to the same reasons for the decrease in 3Q16.

(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") increased by approximately RMB 1.3 million from RMB 94.7 million as at 31 December 2015 to RMB 96.0 million as at 30 September 2016. Yarn warping machinery of which the Company had paid a deposit previously has been delivered to our factory in the PRC. The new equipment amounting to RMB 5.8 million is capitalized as PPE in 3Q16. The new equipment is intended to replace obsolete equipment. The addition in PPE was offset by depreciation charge of approximately RMB 4.6 million and PPE written off amounting to RMB 1.2 million due to production machinery obsolescence. Land use rights amounted to RMB 48.6 million as at 30 September 2016 after amortization charge of RMB 402 thousands.

Our current assets comprise inventories, trade and other receivables, other current assets and cash and cash equivalents. Current assets decreased by RMB 32.1

million from RMB 112.2 million as at 31 December 2015 to RMB 80.1 million as at 30 September 2016 mainly due to decrease in cash and cash equivalents and inventories offset by increase in trade receivables.

Inventories comprised mainly raw materials, finished goods, work-in-progress ("WIP") and consumables. Inventories decreased by approximately RMB 1.6 million from RMB 9.3 million as at 31 December 2015 to RMB 7.7 million as at 30 September 2016 as a result of smaller quantity of finished goods as at the financial period ended 30 September 2016, including smaller quantity of 30D filament yarn which we have phased out since last year.

Trade and other receivables increased by approximately RMB 2.5 million from RMB 66.9 million as at 31 December 2015 to RMB 69.4 million as at 30 September 2016. Included in other receivables is a deposit amounting to RMB 28.3 million brought forward from 2015 for the purchase of new equipment. The installation of the new equipment is expected to be in the second half of 2017.

Cash and cash equivalents decreased by approximately RMB 33.1 million from RMB 35.9 million as at 31 December 2015 to RMB 2.8 million as at 30 September 2016.

Other current assets comprise mainly prepaid expenses amounting to RMB 261 thousands as at 30 September 2016. Prepaid expenses amounted to RMB 175 thousands as at 31 December 2015.

Liabilities

Our current liabilities amounted to RMB 14.1 million as at 30 September 2016, a decrease of approximately RMB 0.6 million from RMB 14.7 million as at 31 December 2015. This decrease is mainly attributed to decrease in trade and other payables in 3Q16.

Commentary on Statement of Cashflows

Cash flows used in operating activities was RMB 8.8 million in 3Q16 and RMB 31.9 million in 9M16 compared to cash flows used in operating activities of RMB 184.9 million in 3Q15 and RMB 199.8 million in 9M15. This is largely attributed to a smaller operating loss incurred for 3Q16 and 9M16 and improved working capital.

Cash used in investing activities pertaining to the purchase of PPE for 9M16 amounted to RMB 1.3 million and proceeds from disposal of property, plant and equipment amounted to RMB 70 thousand.

As at 30 September 2016, the Group's cash and cash equivalents decreased by RMB 8.8 million in 3Q16 and decreased by RMB 33.1 million for 9M16.

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 second quarter results announcement released on 11 August 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

The Group continues to experience 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 remained low. 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 further and the situation may deteriorate even more.

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.

As announced on 27 June 2016, the Board has proposed that the Group diversify its business by acquiring Longrunn Int'l Incheon Limited ("proposed diversification"), whose principal business is to carry on a business related to the provision of consultancy and project management services in the real estate sector. Given the resignation of Mr Li Jianmin as executive director of the Company (as announced on 6 October 2016), who was originally appointed to the Board to, *inter alia*, facilitate his fund-raising efforts for the Group in connection with the proposed diversification, the parties are currently still engaged in discussions and the Company will make an appropriate announcement in due course.

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 September 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 third quarter and nine months ended 30 September 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
14 November 2016