



Asia Fashion Holdings Limited

(Company Registration No. 41195)
(Incorporated in Bermuda)

UNAUDITED FIFTH QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE FIFTEEN MONTHS ENDED 31 MARCH 2016 ("5Q2016")

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2, Q3, Q4 & Q5), HALF-YEAR AND FULL YEAR RESULTS

1(a)(i) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated statement of comprehensive income for the Group

	1Q2016 RMB'000 (Unaudited)	1Q2015 RMB'000 (Unaudited)	% Change + / (-)	15M2016 RMB'000 (Unaudited)	15M2015 RMB'000 (Unaudited)	% Change + / (-)
Continuing operations						
Revenue	8,371	176,925	-95%	125,958	176,925	-29%
Cost of sales	(16,898)	(125,405)	-87%	(107,320)	(125,405)	-14%
Gross profit/(loss)	(8,527)	51,520	-117%	18,638	51,520	-64%
Other operating income	-	126	N/A	-	1,977	N/A
Selling and distribution expenses	(1,368)	(8,223)	-83%	(8,618)	(8,223)	5%
Administrative expenses	(4,035)	(9,853)	-59%	(16,841)	(19,488)	-14%
Finance costs	(6,236)	(6,657)	-6%	(25,338)	(8,564)	196%
	(20,166)	26,913	-175%	(32,159)	17,222	-287%
Loss on disposal of discontinued operation	-	-		(19,024)	-	
Share of profit from associates, net of tax	-	-	N/A	16,912	27,354	-38%
Profit/(Loss) before taxation from continuing operating	(20,166)	26,913	-202%	(34,271)	44,576	-177%
Income tax expense	-	(7,187)	N/A	(3,283)	(7,187)	-54%
Profit/(Loss) after taxation from continuing operating	(20,166)	19,726	-202%	(37,554)	37,389	-200%
Other comprehensive income	-	-	N/A	-	-	N/A
Total comprehensive profit/(loss) for the period from continuing operations	(20,166)	19,726	-177%	(37,554)	37,389	-29%
Profit/(loss) from discontinued operation, net of tax	-	(19,024)	N/A	-	(18,984)	N/A
Total comprehensive profit/(loss) net of tax	(20,166)	702	-2973%	(37,554)	18,405	-304%
Total comprehensive profit/(loss), net of tax, attributable to:						
Equity holders of the company	(13,206)	(10,086)	31%	(28,610)	7,617	-476%
Non-controlling interest	(6,960)	10,788	-165%	(8,944)	10,788	-183%
	(20,166)	702	-2973%	(37,554)	18,405	-304%



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- 1(a)(ii) The following items (with appropriate breakdowns and explanations), if significant, must either be included in the income statement or in the notes to the income statement for the current financial period reported on and the corresponding period of the immediately preceding financial year.

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

	1Q2016 RMB'000 (Unaudited)	1Q2015 RMB'000 (Unaudited)	15M2016 RMB'000 (Unaudited)	15M2015 RMB'000 (Unaudited)
Interest income				
- Fabric	-	-	-	(7)
- New Material	-	-	-	(10)
Depreciation				
- Fabric	-	-	-	6,743
- New Material	5,020	4,627	16,183	4,627
Amortization				
- Fabric	-	-	-	131
- New Material	5	5	17	5
Interest expenses				
- Fabric	-	-	-	335
- New Material	6,236	6,657	25,338	6,657

Note 1: Loss from discontinued operation, net of tax:

Further to the Company's announcements dated 19 September 2014, 2 February 2015 and 3 February and the Circular dated 9 January 2015, the Company had on 3 February 2015 completed the proposed disposal (“**Proposed Disposal**”) of 100% of the share capital of Qianfeng International Limited (“**QIL**”) by the Company to Chengde Industrial Co., Limited for an aggregate purchase consideration of S\$2.4 million in accordance with the terms and conditions of the sale and purchase agreement (“**SPA**”) dated 18 September 2014 and entered into between the Company as vendor, Chengde Industrial Co., Limited as purchaser and Lin Daoqin as obligor.

QIL is an investment holding company, and the legal and beneficial owner of 100% of the registered capital of each of Fujian Qianfeng Textile Technology Co. Ltd. (“Fujian Qianfeng”), a company incorporated on 7 December 2001 under the laws of the PRC, and Fujian Jiamei Textile Company Limited (“Fujian Jiamei”), a company incorporated on 29 April 2004 under the laws of the PRC. Fujian Qianfeng operates the business of manufacture and sale of synthetic knitted fabrics, and Fujian Jiamei operates the business of manufacture of synthetic knitted fabrics.



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The results of QIL and its subsidiaries for the quarter ended 31March2016 (“5Q2016”) are as follows:-

	1Q2016	1Q2015	15M2016	15M2015
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	-	-	-	127,798
Cost of sales	-	-	-	(114,593)
Gross profit	-	-	-	13,205
Other income	-	-	-	20
Selling and distribution expenses	-	-	-	(4,244)
Administrative expenses	-	-	-	(8,394)
Loss from operations	-	-	-	587
Finance costs	-	-	-	(547)
Loss before taxation	-	-	-	40
Income tax expense	-	-	-	-
Loss after taxation	-	-	-	40



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1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

Statements of financial position

	←----- The Group -----→		←----- The Company -----→	
	As at		As at	
	31March 2016 RMB'000 (Unaudited)	31December 2015 RMB'000 (Unaudited)	31March 2016 RMB'000 (Unaudited)	31December 2015 RMB'000 (Unaudited)
Non-current assets				
Property, plant and equipment	233,344	239,344	-	-
Land use rights	749	754	-	-
Investments in subsidiaries	-	-	46	46
Investments in associates	-	-	-	-
Loan to associates	-	-	61,000	61,000
Interest receivables	-	-	7,433	7,226
	<u>234,093</u>	<u>240,098</u>	<u>68,479</u>	<u>68,272</u>
Current assets				
Inventories	133,652	144,953	-	-
Trade receivables	89,203	109,777	-	-
Prepayments and other receivables	95,604	121,675	9,511	9,413
Amount due from a subsidiary	-	-	29,370	29,208
Amount due to associates	-	-	-	-
Cash and cash equivalents	6,603	9,479	-	-
	<u>325,062</u>	<u>385,884</u>	<u>38,881</u>	<u>38,621</u>
Assets of disposed group held-for-sale	-	-	-	-
Total assets	559,155	625,982	107,360	106,893
Current liabilities				
Trade payables	39,790	68,401	-	-
Other payables and accruals	140,504	158,554	20,360	19,260
Bonds payable	180,000	180,000	-	-
Amount due to a subsidiary	-	-	38,321	38,170
Amount due to former director/ shareholder	-	-	-	-
Tax payable	-	-	-	-
	<u>360,294</u>	<u>406,955</u>	<u>58,681</u>	<u>57,430</u>
Net current(liabilities)/asset	(35,232)	(21,071)	(19,800)	(18,809)
Non current liabilities				
Bonds payable	58,928	58,928	7,928	7,928
Non-equity linked bond	-	-	-	-
Other payable	38,302	38,302	-	-
Interest payable	-	-	-	-
Convertible bonds	11,891	11,891	11,891	11,891
Total liabilities	469,415	516,076	78,500	77,249
Net assets /(liabilities)	89,740	109,906	28,860	29,644



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	←----- The Group -----→		←----- The Company -----→	
	As at 31 March 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Unaudited)	As at 31 March 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Unaudited)
Equity				
Share capital	27,271	27,271	27,271	27,271
Reserves	26,810	40,016	1,589	2,373
Total attributable to equity holders of the company	54,081	67,287	28,860	29,644
Non-controlling interest	35,659	42,619	-	-
Total equity	89,740	109,906	28,860	29,644

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

Amount repayable in one year or less, or on demand

RMB '000	As at 31 March 2016		As at 31 March 2015	
	Secured	Unsecured	Secured	Unsecured
Bonds payable(i)	-	180,000	-	-

Amount repayable after one year

RMB '000	As at 31 March 2016		As at 31 March 2015	
	Secured	Unsecured	Secured	Unsecured
Bonds payable(i)	-	58,928	-	238,928
Non-equity linked bond(ii)	-	-	-	50,835
Convertible bond(iii)	-	11,891	-	11,891

(i) Bonds payable comprise of:

(1) Our subsidiary, Xuzhou Zhongwei New Board Co., Ltd, prior to the acquisition by the Company, had on 28 March 2013 successfully issued a private RMB180 million SME Bond (“**SME Bond**”) listed on Shanghai Stock Exchange. The SME Bond bears an interest of 10% per annum, and was arranged by Huarong Securities Co., Ltd and guaranteed by Sino-Capital Guaranty Trust. The SME Bond is repayable in full on 28 March 2016.

(2) RMB51 million relates to indebtedness incurred by Rich Circles Enterprise Limited (“**Rich Circles**”), a subsidiary of the Company, pursuant to the drawdown of RMB51 million on 18 June 2014 pursuant to a loan letter dated 18 June 2014 and entered into between Rich Circles as borrower and Li Yaxin as lender.

The loan has an interest rate of 7% per annum. The loan and the interest chargeable thereon was initially repayable on 19 June 2016. but subsequently agreed to extend by an additional 12 months to 19 June 2017. The loan was provided by Li Yaxin, the joint venture partner of the Company in respect of the identification of potential business and development opportunities in China, in connection with the acquisition of China Construction Material (Hong Kong) Limited (“**CCMH**”) by Rich Circles, as announced by the Company on 18 June 2014, 25 June 2014, 27 June 2014 and 3 July 2014.



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(3) The balance of RMB7.928 million was incurred due to a bond subscription agreement, dated 4 March 2015 entered into between the Company and Prime Pacific Investments Limited for the subscription by Prime Pacific Investments Limited of a two-year 10% coupon bond for a principal amount of HK\$10 million. Interest is payable half-yearly in arrears.

(ii) Non-equity linked bonds

As announced by the Company on 9 June 2014, the Company had on 9 June 2014 entered into a bond subscription agreement (“**Bond Subscription Agreement**”) with Li YuHuan (the “**Subscriber**”) for the issuance of seven (7) per cent. unsecured non-equity-linked bonds with an aggregate principal amount of S\$10,000,000.00 (the “**Bonds**”) and in the denomination of S\$200,000.00. The Subscriber had on 9 June 2014 subscribed for Bonds at the aggregate subscription price of S\$10,000,000.00 in accordance with the terms of the Bond Subscription Agreement.

The Company announced on 30 September 2015 that it has entered into a placement agreement on 30 September 2015 with Ms. Li Yu Huan (the “Subscriber”) for early settlement of the above-mentioned bonds in form of issue of placement shares and cash payment. In pursuant to the placement agreement, the Company has settled the principal amount of S\$3,976,158.28 to the Subscriber thereby leaving an unsettled principal amount of S\$6,023,841.72 in anticipation for contra settlement against the expected share placement proceed to exactly the same amounts as soon as the approval from SGX-ST is being granted.

The total number of placement shares is 100,397,362 and the issue price is S\$0.06 for each placement share, representing total amount of S\$6,023,841.72 (approximately RMB29,163,000) which is exactly the same amount outstanding under the bonds as at 30 September 2015.

The Company announced on 14 October 2015 that the SGX-ST has granted its approval in principle of the placement of 100,397,362 new ordinary shares to Ms Li Yu Huan for settlement of the outstanding principal amount of the bond in totality.

(iii) Convertible bonds

In connection with the Company’s announcements dated 5 March 2015, 16 March 2015, 27 March 2015 and 31 March 2015, the Company had on 31 March 2015 completed the issuance of 7.0% unsecured convertible bonds (“**Convertible Bonds**”) due 2017 of an aggregate principal amount of S\$2,660,000 to Alternus Capital Holdings Limited (the “**Investor**”) pursuant to a convertible bonds agreement dated 5 March 2015 entered into between the Company and the Investor (as supplemented by the supplemental agreement dated 16 March 2015 entered into between the Company and the Investor) (collectively, the “**CBA**”). The Convertible Bonds bear an interest rate of 7%, interest per annum, which is payable quarterly in arrears. The maturity date of the Convertible Bonds is two years from the date of the issue of the Bonds (the “**Maturity Date**”). The Investor may, in accordance with the terms and conditions of the CBA, at any time within the period commencing the 3 months from the issue date up to the Maturity Date convert all or part of the outstanding Convertible Bonds into new ordinary shares at the conversion price of S\$0.07 per share.

Details of any collateral

* The Group’s interest-bearing bank borrowings amounting to RMB10 million for the year ended 31 December 2014, which has been included in liabilities held-for-sale, are secured by the pledge of certain of the Group’s property, plant and equipment and guarantees provided by Mr Lin Daoqin.



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Note A: Assets and liabilities held-for-sale

As stated in Note 1 to Section 1(a)(i) above, further to the Company's announcements dated 19 September 2014, 2 February 2015 and 3 February and the Circular dated 9 January 2015, the Company had on 3 February 2015 completed the Proposed Disposal of 100% of the share capital of WIL by the Company to Chengde Industrial Co., Limited for an aggregate purchase consideration of S\$2.4 million in accordance with the terms and conditions of the SPA.

QIL is an investment holding company, and the legal and beneficial owner of 100% of the registered capital of each of Fujian Qianfeng, a company incorporated on 7 December 2001 under the laws of the PRC, and Fujian Jiamei, a company incorporated on 29 April 2004 under the laws of the PRC. Fujian Qianfeng operates the business of manufacture and sale of synthetic knitted fabrics, and Fujian Jiamei operates the business of manufacture of synthetic knitted fabrics.

As at 31 December 2014, substantially all of the assets and liabilities in QIL and its subsidiaries were reclassified to assets and liabilities held-for-sale which comprises as follows:-

	<u>RMB,000</u>
Assets reclassified as held-for-sale:	
- Property, plant and equipment	37,633
- Intangible assets	7,649
- Inventories	11,043
- Trade receivables	88,016
- Prepayments & other receivables	4,107
- Cash and cash equivalents	4,554
	<u>153,002</u>
Liabilities reclassified as held-for-sale:	
- Trade payables	42,024
- Other payables and accruals	9,905
- Compensation payables – current portion	17,400
- Bank loans	10,000
- Compensation payables	53,315
	<u>132,644</u>



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1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated statement of cash flows for the Group	1Q2016 RMB'000 (Unaudited)	1Q2015 RMB'000 (Unaudited)	15M2016 RMB'000 (Unaudited)	15M2015 RMB'000 (Unaudited)
Cash flows from operating activities				
Profit/(Loss) before taxation from continuing operations	(20,166)	26,193	(34,217)	44,576
Profit from discontinued operations				40
Adjustments for:				
Amortization of land use rights	5	5	17	136
Depreciation of property, plant and equipment	5,020	4,627	16,183	11,370
Share of profits from associates	-	-	-	(27,354)
Loss on disposal	-	-	-	-
Interest income	-	-	-	(17)
Interest expense	6,236	6,657	25,338	6,992
Operating profit/(loss) before working capital changes	(8,905)	37,482	7,321	35,743
Decrease in inventories	11,301	(6,015)	(122,609)	(5,017)
(Increase)/decrease in trade receivables	20,574	16,846	(38,597)	(3,533)
(Increase)/decrease in prepayments and other receivables	26,071	8,898	(55,604)	8,502
Liability for compensation payables		-	-	(16,415)
(Decrease) in trade payables	(28,611)	21,565	28,790	39,039
(Decrease) in accrued liabilities and other payables	(17,070)	(53,091)	147,974	(56,640)
Cash generated from operations	3,360	25,685	(32,725)	1,679
Interest received		-		
Interest paid	(6,236)	(6,657)	(25,338)	(6,992)
Income tax paid		(22,355)	12,944	15,266
Net cash generated from/(used in) operating activities	(2,876)	(3,327)	(45,119)	9,953
Cash flows from investing activity				
Expenses paid on behalf by associated companies	-	-	-	(1,634)
Net effect of cash flow on disposal (Note A)	-	(4,554)	(4,554)	-
Net effect of cash flow on acquisition (Note B)	-	-	27,273	-
Acquisition of associated company	-	-	-	(30)
Loan advanced to associated company	-	-	-	(49,000)
Net cash generated from/(used in) investing activities	-	(4,554)	22,719	(50,664)
Cash flows from financing activities				
Process from issue of shares	-	13,197	28,548	13,197
Process from issue of coupon bond	-	7,928	7,928	7,928
Process from issue convertible bond	-	11,891	11,891	61,050
Repayment of non-equity linked bonds	-	-	(19,546)	
Bank loans obtained/(Repayment of bank loans)	-	-	-	637
Net cash (used in)/generated from financing activities	-	33,016	28,821	82,812
Net increase/(decrease) in cash and cash equivalents	(2,876)	25,135	6,421	42,101
Cash & cash equivalents at beginning of the financial period	9,479	27,580	182	10,614
Cash & cash equivalents at the end of the financial period	6,603	52,715	6,603	52,715



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Note A

As stated in Note 1 to Section 1(a)(i) above, further to the Company’s announcements dated 19 September 2014, 2 February 2015 and 3 February and the Circular dated 9 January 2015, the Company had on 3 February 2015 completed the Proposed Disposal of 100% of the share capital of QIL by the Company to Chengde Industrial Co., Limited for an aggregate purchase consideration of S\$2.4 million in accordance with the terms and conditions of the SPA.

QIL is an investment holding company, and the legal and beneficial owner of 100% of the registered capital of each of Fujian Qianfeng, a company incorporated on 7 December 2001 under the laws of the PRC, and Fujian Jiamei, a company incorporated on 29 April 2004 under the laws of the PRC. Fujian Qianfeng operates the business of manufacture and sale of synthetic knitted fabrics, and Fujian Jiamei operates the business of manufacture of synthetic knitted fabrics.

The carrying value of the identifiable assets and liabilities of QIL Group as at the date of disposal are as follows:

	<u>RMB,000</u>
Property, plant and equipment	(37,633)
Land use rights	(7,649)
Inventories	(11,043)
Trade and other receivable	(90,606)
Cash and cash equivalents	(4,554)
Trade and other payables	111,540
Bond payables	10,000
	<u>(29,945)</u>
Less: Consideration receivable	10,921
Loss arising from the disposal of QIL Group	<u>(19,024)</u>
 <u>Net effect of cash flow on acquisitions</u>	
Consideration received	-
Cash and cash equivalents disposed	(4,554)
Net cash outflow from disposal	<u>(4,554)</u>

Note B

On 27 May 2015, the Company announced its shareholding in its subsidiary, Rich Circles Enterprise Limited (“Rich Circles”) has been increased from 49% to 54.46%, or 6,100 shares out of an expanded total number of 11,200 shares. The increase is a result of the subscription of 1,200 new ordinary shares in the capital of Rich Circle. Therefore, the financial statements of Rich Circle and its subsidiaries (“RC Group”) has been consolidated into the Group’s financial statements with effect from 27 May 2015 (“date of acquisition”).



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The carrying value of the identifiable assets and liabilities of RC Group as at the date of acquisition are as follows:

	<u>RMB,000</u>
Property, plant and equipment	199,422
Land use rights	761
Inventories	198,735
Trade and other receivable	367,113
Cash and cash equivalents	27,310
Trade and other payables	(376,978)
Tax payable	-
Bond payables	(318,420)
	<u>97,943</u>
Less: Contribution from non-controlling interest	(31)
Net assets acquired attributable to equity holders of the company	<u>97,912</u>
 <i>Net effect of cash flow on acquisitions</i>	
Consideration paid	(37)
Cash and cash equivalents acquired	27,310
Net cash inflow from acquisition	<u>27,273</u>



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1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statement of changes in equity for the Group and for the Company

	Share Capital	Contributed Surplus	Share Premium	Capital Reserve	Share Option Reserve	Merger Reserve	Statutory Reserve	Retained Earnings	Other reserve	Total attributable to equity holders of the parents	Non-controlling interest	Total Equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2014	19,220	172,983	65,466	4,230	1,224	(64,889)	45,303	(245,296)	-	(1,759)	-	(1,759)
Employee share option scheme – expired share option	-	-	-	-	(1,224)	-	-	1,224	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-	-	17,703	-	17,703	-	17,703
Balance at 31 December 2014 (Audited)	19,220	172,983	65,466	4,230	-	(64,889)	45,303	(226,369)	-	15,944	-	15,944
Balance at 1 January 2015	19,220	172,983	65,466	4,230	-	(64,889)	45,303	(226,369)	-	15,944	-	15,944
Issue of shares pursuant to the placement approved on 2 Feb 2015/15 Apr 2015	4,874	-	23,674	-	-	-	-	-	-	28,548	-	28,548
Disposal of QIL group as approved on 2 February 2015	-	-	(13,966)	(1,216)	-	64,889	(45,303)	(4,404)	-	-	-	-
Acquisition of additional interest resulting in consolidation of RC Group	-	-	-	-	-	-	-	4,411	4,625	9,036	44,603	53,639
Total comprehensive income for the period	-	-	-	-	-	-	-	(2,865)	-	(2,865)	4,625	1,760
Balance at 31 December 2015	27,271	172,983	101,160	3,014	-	-	-	(241,766)	4,625	67,287	42,619	109,906
Issue of shares pursuant to the placement approved	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	-	(13,206)	-	(13,206)	(6,960)	(20,166)
Balance at 31 March 2016 (Unaudited)	27,271	172,983	101,160	3,014	-	-	-	(254,972)	4,625	54,081	35,659	89,740



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Company	Share Capital	Contributed Surplus	Share Premium	Capital Reserve	Share Reserve	Option	Retained Earnings	Total Equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		RMB'000	RMB'000
Balance at 1 January 2014	19,220	172,983	51,500	3,014		1,224	(70,390)	177,551
Employee share option scheme – expired share option	-	-	-	-	-	(1,224)	1,224	-
Total comprehensive loss for the year	-	-	-	-	-	-	(215,654)	(215,654)
Balance at 31 December 2014 (Audited)	19,220	172,983	51,500	3,014	-	-	(284,820)	(38,103)
Balance at 1 January 2015	19,220	172,983	51,500	3,014		-	(284,820)	(38,103)
Issue of shares pursuant to the placement approved on 2 February/15 April 2015	4,874	-	23,674	-	-	-	-	28,548
Total comprehensive income for the period	-	-	-	-	-	-	6,631	6,631
Balance at 31 December 2015	27,271	172,983	101,160	3,014		-	(274,784)	29,644
Issue of shares pursuant to the placement approved	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	(784)	(784)
Balance at 31 March 2016 (Unaudited)	27,271	172,983	101,160	3,014	-	-	(275,568)	28,860



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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 issued 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 of the immediately preceding financial year.**

The Company announced on 30 September 2015 that it has entered into a placement agreement on 30 September 2015 with Ms. Li Yu Huan (the “Subscriber”) for early settlement of the above-mentioned bonds in form of issue of placement shares and cash payment. In pursuant to the placement agreement, the Company has settled the principal amount of S\$3,976,158.28 to the Subscriber thereby leaving an unsettled principal amount of S\$6,023,841.72 in anticipation for contra settlement against the expected share placement proceed to exactly the same amounts as soon as the approval from SGX-ST is being granted.

The total number of placement shares is 100,397,362 and the issue price is S\$0.06 for each placement share, representing total amount of S\$6,023,841.72 (approximately RMB29,163,000) which is exactly the same amount outstanding under the bonds as at 30 September 2015.

The Company announced on 14 October 2015 that the SGX-ST has granted its approval in principle of the placement of 100,397,362 new ordinary shares to Ms Li Yu Huan for settlement of the outstanding principal amount of the bond in totality.

As a result, the total number of issued shares of the Company had increased from 707,602,638 ordinary shares to 808,000,000 ordinary shares, excluding treasury shares as at 31 December 2015.

In connection with the Company’s announcements dated 5 March, 16 March 2015, 27 March 2015 and 31 March 2015 in respect of the issued and allotment of the Convertible Bonds to the investor, up to 38,000,000 shares may be issued to the Investor if the Investor converts all or part of the outstanding Convertible Bonds into new ordinary shares at the conversion price of S\$0.07 per share.

Further to the Company’s announcements on 25 November 2015, 29 December 2015, 4 January 2016 and 5 February 2016, and the Company’s circular to shareholders dated 20 January 2016, the Company had on 5 February 2016 obtained shareholders’ approval for a proposed share consolidation (“**Proposed Share Consolidation**”) of every sixteen (16) existing issued and unissued ordinary shares of par value US\$0.005 each in the capital of the Company as at the books closure date to be determined, into 1 ordinary share of par value US\$0.08 each in the capital of the Company, fractional entitlements to be disregarded. The Company had undertaken the Proposed Share Consolidation to enable it to meet the minimum trading price requirement of the SGX-ST.

There are no changes in the issued and paid-up share capital of the Company as a result of above-mentioned share consolidation.

- 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.**

The total number of issued shares as at the end of the current financial period and as at the end of the immediately preceding year is 50,500,000 (or 808,000,000 pre-consolidation) and 34,300,164 (or 548,802,638 pre-consolidation) ordinary shares, respectively.

The Company does not hold any treasury shares.



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1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The financial information for the fifth quarter ended 31 March 2016 has not been audited nor 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 Group has adopted all the Singapore Financial Reporting Standards (“FRS”) that are mandatory for financial year beginning on or after 1 January 2015.

The accounting policies and methods of computation are consistent with the latest audited financial statements for the year ended 31 December 2014.

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.

As announced on 7 October 2015, the Company has decided to the change of the Company’s financial year end from 31 December to 30 June (“Change of Financial Period”) for the following reasons:

(1) To provide the Company’s auditors with sufficient time and human resources to complete the Company’s audit assignment during the peak audit work period in December. This is to avoid repeat delay in delivering audit results within set deadlines, previously resulting in repeated requests to the Singapore Exchange Securities Trading Limited (“SGX-ST”) for the granting of deadline extensions for the posting of the Company’s audited results.

(2) The former financial year end on 31 December has resulted in serious overlap between the peak audit work period of the Company and the prolonged Chinese New Year holidays in China, causing exceptional and repeated difficulties in securing the cooperation of the Company’s PRC major operating subsidiaries’ operational and financial staff in focusing on meeting tight audit deadlines.

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.

	15M2016	15M2015
Basic earnings per share (RMB cents)		
From continuing operations attributable to the equity holders of the Company:		
- Based on the weighted average number of ordinary shares in issue	(2.38)	1.48
- Fully diluted	(2.20)	1.39



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From discontinued operations attributable to the equity holders of the Company:

- Based on the weighted average number of ordinary shares in issue	0.01	0.01
- Fully diluted	0.01	0.01

Number of shares

Current / weighted average number of ordinary shares in issue	700,653,498	548,802,638
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7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-

- (a) current financial period reported on; and
(b) immediately preceding financial year.

RMB Cents	The Group		The Company	
	31 March 2016	31 December 2015	31 March 2016	31 December 2015
Net (liabilities)/asset value per ordinary share	12.8	15.6	4.11	4.23

Note:-

Net asset value per ordinary share of the Group/Company was calculated based on the 808,000,000 and 548,802,638 shares in issue at the end of 31 December 2015 and 31 December 2014, respectively.

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

	1Q2016 RMB'000	1Q2015 RMB'000	% Change +/(-)	15M2016 RMB'000	15M2015 RMB'000	% Change +/(-)
Revenue – New Materials:						
- Magnesium multifunctional board	980	106,155	-99%	17,926	106,155	-83%
- Decorative board	2,311	58,144	-96%	48,427	58,144	-17%
- Aluminum products	5,080	12,626	-60%	59,605	12,626	372%
Total	8,371	176,925	-95%	125,958	176,925	-29%
Gross profit/(loss)	(8,527)	51,520	-117%	18,638	51,520	-64%
Gross profit margin	-101%	29.12%		14.8%	29.12%	

* Above figures were for the period from 27 May 2015 (date of the acquisition) to 31 March 2016



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Review of Financial Performance

New Materials Business Operated by the RC Group (“New Materials Business”):

(a) **Magnesium Multifunctional Board**

Magnesium Multifunctional Board is a basic and core Magnesium Chloride-based product which is used in the production of other products. Magnesium Multifunctional Board can be nailed, sawed, drilled, and planed while being environmental friendly, waterproof, fireproof, soundproof and not easy to deform with integration capabilities. Magnesium Multifunctional Board can be used in ceiling panels, wall panels, insulation board, fireproof board, and waterproof board. Magnesium Multifunctional Boards can be either directly sold to customers or further processed to produce other building and decoration materials.

(b) **Floor and grainy board**

Floor and grainy board is produced by further processing of the Magnesium Multifunctional Board. These include geothermal dedicated flooring and titanium flooring. Geothermal dedicated flooring has characteristics such as being environmental friendly, fire and water proof, not easy to deform, and able to withstand wear, scratch and stain. It is wear-proof in accordance with the relevant national standards in the PRC. Titanium flooring is fireproof, waterproof, resists deformation, and has comprehensive environmental characteristics. Its paint surface is able to withstand wear, scratch, stain and integration performance, and it can be used as decorative panels for, *inter alia*, home, hotels, and office floors.

(c) **Decorative board**

Decorative boards are produced by processing the Magnesium Multifunctional Boards with various surfaces, such as by coating the surfaces of Magnesium Multifunctional Boards with aluminum or magnesium products. Decorative boards processed with certain metals may be aesthetically pleasing with vein lines and grains resembling marble, granite or wood. Such decorative boards are also environmentally friendly, waterproof, fireproof, and resistant to deformation, wear, scratches, and stains. Based on different surface treatments, decorative boards may be widely used for cabinets and other kinds of interior and exterior décor.

(d) **Aluminium products**

Aluminium products are aluminium plates with various customized designs and colors that are incorporated using printing technology. These products are produced with transfer printing technology, which can allow the final product to look like natural materials, such as marble and granite. Aluminium panels have fire safety, insulation, energy-saving, environmental-friendliness and other functions, and can be widely used in energy efficient building facades and wall decorations with a product life of up to 30 years. At the end of the product life cycle, after removal from buildings, through the separation and recycling technologies, the aluminium can be re-used, in the interests of the environment. Products made with nano-glaze aluminium coating are eco-friendly, non-toxic and able to withstand light, scratches, corrosion, and extreme temperatures. Aluminium products can be either sold as finished goods or used with Magnesium Multifunctional Boards to produce decorative boards.

Total sales for the period from the date of acquisition to 31 March 2016 achieved was approximately RMB125.9 million with detailed breakdown of various products as shown above.

Gross profit achieved was approximately RMB18.6 million and gross profit margin was approximately 14.8% (below average GP Margin 30%) which was due to the gross loss recorded in



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the fourth quarter and fifth quarter as a result of sharp decline in total sale attributed from two key PRC customers

Selling and distribution expenses was approximately RMB8.6 million comprise of advertising & promotion and transportation expenses.

Administrative expenses was approximately RMB16.8 million which includes remuneration of directors and management staff, office, travelling expenses and professional fees incurred.

Finance costs was approximately RMB25.3 million relates to interest accrued for the Bonds payable, Convertible bond and Non-equity linked bond.

Share of profits from associates relating to the profit from 1 January 2015 to 27 May 2015 achieved by RC Group prior to the acquisition of additional interest resulting in the consolidation of its result from the date of acquisition to 31 March 2016.

Income tax expenses amounting to RMB3.3 million resulted from the profit made by our subsidiary, Xuzhou Zhongwei New Board Co., Ltd for the period from the date of acquisition to 31 March 2016.

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

Review of Financial Position

Property, plant and equipment of RMB233.3 million as at 31 March 2016 as compared to 239.4 million as of 31 December 2015 was due to the depreciation charge for the financial period.

Land use rights of RMB0.7 million as at 31 March 2016 as compared to RMB0.8 Million as of 31 December 2015 was due to the amortisation cost

Loan to associates and **Interest receivables** of RMB 61 million and RMB7.4 million, respectively, as of 31 December 2014 had been reversed and/or eliminated in the consolidation of RC Group following the acquisition of additional interest in RC Group dated 27 May 2015.

Inventories were RMB133.6 million as at 31 March 2016 as compared to 144.9 million as of 31 December 2015 was due to sale of finished product and raw material consumption during the financial period. The average inventory turnover day was 110 days for 15M 2016 and the aged analysis is as follows.

	RMB'000
Less than 365 days	131,313
1 year to less than 2 years	2,121
2 years and above	218
	<u>133,652</u>

Trade receivables were RMB 89.2 million as at 31 March 2016 compared to 109.8 million as of 31 December 2015 was due to Decline of the sale during the financial period and more sale attribute from Middle size customer which have better credit control.



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The average trade receivables' turnover days was 90 days for 15M 2016 and the aged analysis is as follows-

	RMB'000
Less than 365 days	54,800
1 year to less than 2 years	22,180
2 years to less than 3 years	8,910
3 years and above	3,313
	89,203

Prepayment and other receivables were RMB95.6 million as 31 March 2016 compared to RMB121.7 million as of 31 December 2015 was due to decline of advance payment of purchase of Raw material

	RMB'000
Advances paid to	
-Raw Materials	28,310
-Distributor Prepayments	16,866
	15,025
Other receivables	
-Loans to business associates (Note 1)	27,893
-Advances to management staff (Note 2)	4,240
VAT receivable	1,087
Receivables in respect of divestment	1,256
Rental deposit	395
Others	532
	95,604

Note 1: These amounts were interest-free loans to business associates and are expected to be repaid in the current years

Note 2: There were advances made to management staff primarily for operational purposes.

Trade payables were RMB39.8 million as at 31 March 2016 compared to RMB68.4 million as of 31 December 2015 was due to repayment to some major suppliers. The average trade payable's turnover day was 121 days for 15M 2016 and the aged analysis is as follows:-

	RMB'000
Less than 365 days	34,718
1 year to less than 2 years	1,020
2 years to less than 3 years	2,035
3 years and above	2,017
	39,790



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Accruals and other payables were RMB140.5 million at 31 March 2016 decreased by RMB 18 million or 11.3% from RMB158.5 million as of 31 December 2015 was due to decline of accrual of interest payable. The details of the accruals and other payables are as follows:-

	RMB'000
Accruals for:	
-Operating expenses	2,918
-Interest	19,998
Provision for compensation to distributors/minimum guaranteed loyalty	13,916
Due to ex-shareholder of xuzhou Zhongwei New Board Co., Ltd	100,000
Other payables	3,672
	<u>140,504</u>

Bonds payable-current RMB180 million represented the issuance of RMB180 million, 10% unsecured SME tradable bond, by our subsidiary, Xuzhou Zhongwei New Board Co., Ltd, quoted on Shanghai Stock Exchange due 28 March 2016.

Bonds payable –Non-current RMB58.9 million represented a 7% unsecured bond of RMB51 million provided by Li Yuhuan, an independent third party PRC investor. And the balance of RMB7.9 million was due a HK\$10 million, two-year 10% coupon bond issued to Prime Pacific Investments Limited dated on 4 March 2015.

The **Convertible bonds** relate to an issuance of an aggregate principal amount of S\$2.66 million convertible bonds which bear an interest rate of 7% per annum which is payable quarterly in arrears. The maturity date of the convertible bonds is two years from the date of the issue of the bonds. The agreed conversion price is S\$0.07 per share and the maximum number of shares that can be converted by the bondholder is 38,000,000 (or effectively 2,375,000 post consolidation shares of the Company).

Review of Cash Flow

Net cash generated from operating activities

The Group loss before tax of RMB20.1 million (1Q2015: Profit RMB26.1 million) and cash flow from operating activities of RMB3.3 million (1Q2015: net cash inflow of RMB26.4 million) for the first quarter 2016 due to change decline of sale during the financial period.

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.**



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The financial performance of our New Material business for the current reporting quarter has been continuously weak which was still mainly due to the sharp decline of sale made to our two major customers namely Han Energy Co., Ltd and Beijing Baota Petrochemical Company Limited both of which have encountered unforeseen difficulties in their respective operations of different nature as reported in the last quarter. At this point in time the management is still unable to ascertain about the economic and operational recoverability of these two major customers and to provide relatively accurate prediction about the recoverability of the sales in our New Material Business in the next reporting period and the next 12 months.

However, as stated in the announcement made on 2 March 2016, the Company has entered into a sale and purchase agreement with the Vendor for the acquisition by the Company of 70% of the total equity interest in the registered capital of Boya Lianli (Beijing) Investment Limited, the completion of which will enable the Company to widen its scope of business and to become less dependent on the current New Material business in providing stable revenue and improvement in the Company's profitability in the next two months and beyond. Shareholders are strongly recommended to carefully study the said announcement and the management will provide prompt updates to our shareholders on the progress of the proposed acquisition from time to time.

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/recommended during the period.

13. Interested person transactions

Save as disclosed in paragraph 1(b)(ii) above, the joint and several guarantees provided by Mr Lin Daoqin to our Group, there are no any other interested person transactions.



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

The Directors confirmed 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 financial information of the Company and of the Group for the fifth quarter ended 31 March 2016 to be false or misleading in any material respect.

BY ORDER OF THE BOARD

Mak Tin Sang
Chief Executive Officer & Executive Chairman
15 May 2016