

SUNMART HOLDINGS LIMITED
(Registration Number: 200600432W)

Financial Statement and Dividend Announcement for the Second Quarter Ended 30 June 2016

INFORMATION REQUIRED FOR ANNOUNCEMENTS OF 2ND QUARTER 2016 RESULTS

- 1(a) 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.**

Consolidated Statement of Comprehensive income	2Q 2016 RMB'000	2Q 2015 RMB'000	+/(-) %
Revenue	107,998	88,084	22.6
Cost of sales	(92,308)	(68,186)	35.4
Gross profit	15,690	19,898	(21.2)
Other operating income	1,130	2,035	(44.5)
Other gains/(losses) - net	227	(154)	247.4
Distribution and marketing	(10,375)	(3,892)	166.6
Administrative expenses	(54,533)	(8,647)	530.7
Finance expenses	(2,325)	(4,891)	(52.5)
Loss before income tax	(50,186)	4,349	1,253.9
Income tax expense	-	-	
Loss after income tax	(50,186)	4,349	1,253.9
Other comprehensive income	-	-	-
Total comprehensive loss attributable to equity holders of the Company	(50,186)	4,349	1,253.9

The following items have been included in arriving at loss before taxation:-

	2Q 2016 RMB'000	2Q 2015 RMB'000	+/(-) %
Interest income	100	78	28
Depreciation of property, plant and equipment	5,781	5,886	(2%)
Interest expense	4,037	5,455	(26%)
Amortisation of land use rights	149	149	-

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	
	As at 30 June 2016	As at 31 December 2015	As at 30 June 2016	As at 31 December 2015
	RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	320,921	342,135	-	-
Investment property	22,318	22,626	-	-
Land use rights	24,316	24,100	-	-
Investment in subsidiaries	-	-	126,209	126,209
Investment in associates	29,453	29,453	-	-
	397,008	418,314	126,209	126,209
CURRENT ASSETS				
Inventories	46,938	54,997	-	-
Trade and other receivables	123,966	183,519	12,530	9,028
Cash and cash equivalents	88,256	110,549	37	10
	259,160	349,065	12,567	9,038
CURRENT LIABILITIES				
Trade and other payables	56,653	79,701	10,040	6,777
Borrowings	389,935	395,939	-	-
	446,588	475,640	10,040	6,777
NON CURRENT LIABILITIES				
Borrowings	-	2,015	-	-
NET ASSETS	209,580	289,724	128,736	128,470
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share Capital	155,184	155,184	155,184	155,184
Translation reserve	(193)	(193)	(3,930)	(3,930)
Merger deficit	(587)	(587)	-	-
Statutory reserve fund	32,467	32,467	-	-
Retained earnings/ (Accumulated loss)	22,709	102,853	(22,518)	(22,784)
TOTAL EQUITY	209,580	289,724	128,736	128,470

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

Amount repayable in one year or less, or on demand

As at 30 June 2016		As at 31 December 2015	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
389,935	-	395,939	-

Amount repayable after one year

As at 30 June 2016		As at 31 December 2015	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
-	-	2,015	-

Details of any collateral

Bank borrowings of the Group are secured over leasehold buildings, land use rights, plant and equipment, certain short term deposits and joint and severable guarantee from third parties, related parties, a director of the Group and a subsidiary corporation.

Note payables of the Group are secured by certain short term bank deposits of the Group.

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

	Group	
	2Q 2016	2Q 2015
	RMB'000	RMB'000
Cash flows from operating activities		
(Loss)/profit before taxation	(50,186)	4,349
Adjustments for:		
Interest income	(100)	(78)
Interest expense	4,037	5,455
Depreciation of investment property	154	154
	150	149
Amortisation of land use rights		
Depreciation of property, plant and equipment	5,871	5,886
Operating (loss)/profit before working capital changes	(40,074)	15,915
Changes in working capital:		
Inventories	4,852	2,069
Trade and other receivables	53,119	(12,448)
Trade and other payables	(3,704)	6,192
Net cash used in operations	14,193	11,728
Interest paid	(4,037)	(5,455)
Interest received	100	78
Net cash generated in operating activities	10,256	6,351
Cash flows from investing activities		
Additions to intangible assets	(516)	-
Additions to property, plant and equipment	-	(608)
Net cash used in investing activities	(516)	(608)
Cash flows from financing activities		
Proceeds of bank loans, net	-	7,088
Repayment of borrowings	(20,309)	-
Net cash used in financing activities	(20,309)	7,088
Net (decrease)/increase in cash and cash equivalents	(10,569)	12,831
Cash and cash equivalents at beginning of the year	98,825	81,598
Cash and cash equivalents at end of financial year	88,256	94,429

- 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

(Accounts expressed in thousands of Chinese Renminbi (“RMB”) Currency)

These figures have not been audited

GROUP – CURRENT YEAR

	Share Capital	Merger reserve	Statutory Reserve	Currency translation Reserve	Retained Earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1/1/2016	155,184	(587)	32,467	(193)	102,853	289,724
Total comprehensive loss for the period	-	-	-	-	(80,144)	(80,144)
At 30/6/2016	155,184	(587)	32,467	(193)	22,709	209,580

GROUP – PREVIOUS YEAR

	Share Capital	Merger reserve	Statutory Reserve	Currency translation Reserve	Retained Earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1/1/2015	155,184	(587)	29,521	(193)	91,903	275,828
Total comprehensive loss for the period	-	-	-	-	3,101	3,101
At 30/6/2015	155,184	(587)	29,521	(193)	95,004	278,929

COMPANY – CURRENT YEAR

	Share Capital	Statutory reserve and Translation reserve	Retained Earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1/1/2015	155,184	(3,930)	(22,784)	128,470
Total comprehensive loss for the period	-	-	266	266
At 30/6/2015	155,184	(3,930)	(22,518)	128,736

COMPANY – PREVIOUS PERIOD

	Share Capital	Statutory reserve and Translation reserve	Retained Earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1/1/2015	155,184	(3,930)	(21,820)	129,434
Total comprehensive loss for the period	-	-	(607)	(607)
At 30/6/2015	155,184	(3,930)	(22,427)	128,827

- 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 numbers of shares held as treasury shares, if any, against the 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.**

There has been no changes in the Company's share capital since the financial year ended 31 December 2015. The Company did not hold any treasury shares as at 30 June 2016 and 31 December 2015.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	Company	
	As at 30 June 2016	As at 31 December 2015
Number of shares at the end of the year (‘000)	402,000	402,000

The Company does not hold any Treasury shares.

- 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 figures have not been audited or reviewed by our 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 applied the same accounting policies and methods of computation in the financial statements for the current reporting period compared with those of the audited financial statements for the financial year (“FY”) ended 31 December 2015 except for the adoption of the new and revised Financial Reporting Standards which became effective for the financial period beginning on or after 1 January 2016. The adoption of these new and revised accounting standards did not give rise to any significant impact on the financial statements for the financial period ended 30 June 2016.

- 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.**

Please refer to Point 4 above.

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.

	2Q 2016	2Q 2015
(Loss)/earnings per share – RMB cents - on weighted average number of ordinary shares on issued	(12.5)	1.1
The calculations of earnings per share are based on profit and number of shares shown below:-		
(Loss)/profit attributable to equity holders (RMB'000)	(50,186)	4,349
Weighted average number of shares applicable to basic EPS ('000)	402,000	402,000

There is no difference between the basic and diluted earnings per share as the Company has no potential dilutive ordinary shares, as at 30 June 2016 and 30 June 2015.

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.

	Group		Company	
	As at 30 June 2016	As at 31 December 2015	As at 30 June 2016	As at 31 December 2015
Net assets attributable to the shareholders (RMB'000)	209,580	289,724	128,736	128,470
Net asset value per ordinary share (RMB cents)	52.1	72.1	32.0	32.0
Number of shares at the end of the period ('000)	402,000	402,000	402,000	402,000

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**
 - (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 Performance

For the quarter ended 30/06/2016, the Group's revenue increased by RMB 19.9 million to RMB 108.0 million, representing a increase of 22.6% over the corresponding period last year. The increase is due to increased sales orders from American region customers which result in higher turnover for the quarter.

The Group's gross profit decreased by RMB 4.2 million to RMB 15.7 million in 2nd quarter FY2016 compared to FY2015. This represents a decrease of 21.2% as compared to last year. Gross profit margin decreased to 14.5% compared to 22.6% in FY 2015. This was mainly due to the increased in both labour costs and material costs as a result higher operating costs and the selling prices still remain at a competitive level.

The Group's year-to-date administrative expenses significant increased by RMB 45.9 million or 631.0% to RMB 54.5 million as compared to last year. The increase was mainly due to provision of bad provision in the second quarter of 2016.

Balance Sheet

Trade and other payables reduced to RMB 56.6 million due to higher repayments in the current period.

Trade and other receivables reduced to RMB 124.0 million due to improved credit control and higher collection in the current period.

Net Current Liability at 30/06/16 amounted to RMB187.4 million because of funding of long term investments and fixed assets were made using mainly short term borrowings.

Cash Flow

Net cash generated in operating activities amounted to RMB 10.2 million in FY2016 mainly due to higher trade and other payables of RMB 53.1 million.

Net cash generated from financing activities amounted to RMB 20.3 million in FY2016 was mainly due to net proceeds of bank loans.

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

No forecast had been issued for the period under review.

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.

Although current economic conditions remain challenging, our revenue increase by 22.6% as compared to 2Q2015. The Company continues to price its products competitively and putting more efforts on R&D to obtain more orders and satisfy customers needs.

Despite decrease in gross profit margins, we endeavor to achieve higher profitability through automation production system to cut down higher labor costs.

To increase the Group's competitive advantage, the Group may consider investing up stream in selected companies to secure our supplies and take advantage of costs and technology synergies.

11. Dividend

(a) Current Financial Period Reported On

No dividend has been declared or recommended.

(b) Corresponding Period of the Immediately Preceding Financial Year

No dividend has been declared or recommended in 2015.

(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.

13. If the Group has obtained a general mandate from shareholders for Interested Person Transaction (“IPT”), 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.

No IPT mandate has been obtained

14. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under 720 (1).

The Company confirms that it has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

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

On behalf of the Board of Directors of the Company, we confirm, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited second quarter financial results for the period ended 30 June 2016 to be false or misleading in any material respect.

BY ORDER OF THE BOARD

Sun Bingzhong
Executive Chairman and Chief Executive Officer
12 August 2016