

**ZIWO HOLDINGS LTD.**  
**(Company Registration No. 200800853Z)**  
**(Incorporated in Singapore)**

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**RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON THE RESULTS ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015**

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The Board of Directors (the “**Board**”) of Ziwo Holdings Ltd. (the “**Company**”, and together with its subsidiaries, collectively the “**Group**”) refers to the Company’s product defect claims announcement released on 13 November 2015. The Board would like to respond to the following queries raised by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 26 November 2015 (each, a “**SGX Query**”) as follows:

**SGX Query 1**

We refer to page 12 of the results announcement. We note the product defect claim of RMB 96.1 million. Please elaborate how this is calculated.

**Company’s Response to SGX Query**

Product defect claim of RMB 96.1 million included compensation settlement payment to 3 customers over the sale of defective 30D filament yarn materials totalling RMB 95.6 million, as disclosed in our previous announcement dated 6 October 2015, as well as claims of RMB 0.5 million from other customers.

<b>Company</b>	<b>Compensation Amount</b>
Jinjiang Dayi Textile Manufacturing Co., Ltd	1. Cost of production: RMB 22,000,000 2. Contract penalty: RMB 650,000 Total: RMB 22,650,000
Xuri Dongsheng Textile Manufacturing Co., Ltd	1. Cost of production: RMB 23,000,000 2. Loss of profit: RMB 15,000,000 3. Contract penalty: RMB 300,000 Total: RMB 38,300,000
Jinjiang Sanjing Textile Manufacturing Co., Ltd	1. Cost of production: RMB 20,132,661.50 2. Claim from contractual penalty paid RMB 6,300,000 3. Foreseeable profit: RMB 7,517,289.80 4. Contract penalty: RMB 650,048.70 Total: RMB 34,600,000
Other customer claims	RMB 0.5 million

## **SGX Query 2**

We refer to page 12 of the results announcement. We note PPE relating to the business unit amounting to RMB 42.2 million has been impaired. Please provide breakdown by class of assets and the methodology used to value these assets.

### **Company's Response to SGX Query**

Asset Class	Valuation Method	Amount'000
Yarn Production Line	Net book value	24,548
Drawing Machine	Net book value	5,119
Filament Yarn Machine	Net book value	2,365
Drafter Machine VC443A	Net book value	1,188
Air conditioner System	Net book value	872
Winder 1-6 Screw Machinery	Net book value	491
Central Air-conditioner	Net book value	448
Compressor Unit	Net book value	273
Screw Machinery Chillers	Net book value	223
Yarn Drafter Machine	Net book value	4,894
Dryer	Net book value	812
Others	Net book value	920
		42,152

The methodology used to value these assets is based on purchase price of the assets and depreciation over its useful life.

## **SGX Query 3**

We refer to page 13 of the results announcement. We note a one-off tax penalty of RMB 39.0 million due to non-fulfillment of the condition of maintaining the proportion of technical staff at 30 per cent of total staff strength which was imposed under the New High-Tech Enterprise Scheme. Please disclose RMB 39.0 million tax penalty was paid to whom and when this was paid. Please also provide details of what the non-fulfillment condition is and what is the proportion maintained by the Company.

### **Company's Response to SGX Query**

As disclosed in our announcement dated 13 November 2015, non-fulfilment of the tax condition related to the requirement of maintaining the proportion of technical staff at 30 per cent of total staff strength. The RMB 39.0 million tax penalty was paid to the local tax authorities. Tax credit was paid to the tax authority on 10th and 11th of September 2015 based on our estimated computation. Subsequently as there was no dispute by the tax authority, it was treated as final in November 2015. The proportion maintained by the Company during the qualifying period from 2010 to 2012 was 27%, 28% and 22% respectively.

### **SGX Query 4**

We refer to page 13 of the results announcement. We note product defect claim totaling RMB 134.2 million. Please provide details how this was calculated and reason for this. Please also provide an update on the status and terms of reference of the auditors' review as per the Company's announcements dated 6 Oct and 15 Oct 2015.

### **Company's Response to SGX Query**

The product defect claim of RMB 134.2 million included compensation claim of RMB 38.1 million paid to Guoyao Technology Ltd. Co., as disclosed in our Q2 2015 results announcement dated 14 August 2015 and our response to SGX queries dated 20 August 2015, as well as product defect claim amounting to RMB 96.1 million in Q3 2015. Breakdown for the product defect claim in Q3 2015 has been provided in response to Query 1.

The audit for Q3 is currently on-going and we will make an appropriate announcement once the audit report is issued by our auditors. The audit for Q3 2015 will be conducted in accordance with the Singapore Standards on Auditing.

### **SGX Query 5**

We refer to page 14 of the results announcement. We note the refund of deposit for purchase investment amounting to RMB 100 million. Please provide details of this deposit, when it was paid and when it was refunded and reason why cash of the Company did not increase despite the refund to the Company.

### **Company's Response to SGX Query**

As disclosed in our previous results announcements dated 25 Feb 2015 and 14 May 2015, the deposit of RMB 100 million was paid in connection with the proposed acquisition of 25% equity stake in the capital of Xisheng (Quanzhou) Investment Co., Ltd. Announcement on the Company's decision not to enter into the formal agreement with the vendor was made on 26 December 2014. The deposit of RMB 100 million was refunded to the Company on 4 January 2015. As at 31 March 2015, the Group's cash and cash equivalent increased by RMB 106.2 million from RMB 133.4 million as at 31 December 2014 to RMB 239.6 million as at 31 March 2015.

### **BY ORDER OF THE BOARD**

Ting Chun Yuen  
Executive Chairman and Chief Executive Director  
1 December 2015