

CHINA HONGCHENG HOLDINGS LIMITED
(Incorporated in Bermuda)

FURTHER INFORMATION ON THE COMPANY'S 3QFY2015 FINANCIAL STATEMENTS ANNOUNCEMENT

The Board of Directors of China Hongcheng Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the 3QFY2015 financial statements announcement dated 11 May 2015 and would like to provide additional information as follows:-

SGX's question

We note that 'Trade and bills receivables' of RMB 57.2 million exceeds 3QFY2015 'Revenue' of RMB 50.9 million. Please provide breakdown of 'Trade and bills receivables' balance and elaborate on material items.

Company's response

The breakdown of the trade and bills receivables balance is as follows:-

| | As at 31 March 2015 RMB'000 | As at 30 June 2014 RMB'000 |
|--|-----------------------------------|----------------------------------|
| <u>Trade receivables:</u> | | |
| Hua Fang Holdings Company Limited(华纺股份有限公司) | 22,554 | 17,623 |
| Binzhou Yu Yue Home textile Company Limited(滨州愉悦家纺有限公司) | 17,362 | 8,115 |
| Sunham Home Fashions | 4,878 | - |
| Xizang Sannan Fuanna Home Textile Company Limited(西藏山南富安娜家居用品有限公司) | 3,392 | 4,670 |
| Wilh Wuelfing GMBH CO. | 3,385 | |
| Offis Textile Limited | 1,471 | 1,941 |
| Maricler SRL | 1,391 | |
| Hunan Mendale Holdings Company Limited(湖南梦洁家纺股份有限公司) | 790 | 1,707 |
| Indigo Pte | 393 | - |
| Yantai Mingyuan Home Textile Company Limited(烟台明远家用纺织品有限公司) | - | 1,933 |
| Shanghai Meifang International Trading Company Limited(上海美纺国际贸易有限公司) | - | 1,843 |
| Yongan Zeren Company Limited(永安责任有限公司) | | 1,667 |
| Lovo Home Textile Holdings Company Limited(罗莱家纺股份有限公司) | - | 992 |
| Daniadown Quilts Pte | - | 282 |
| Shijiazhuang Yase Textile Trading Company Limited(石家庄雅色纺织品贸易有限公司) | - | 167 |
| Other customers with individual balance less than RMB100,000 | 222 | 488 |
| <u>Bills receivables:</u> | | |
| Weifang Baolang Textile Company Limited(潍坊宝良纺织品有限公司) | 986 | - |
| Changshu Dejiawei Home Products Company | 370 | - |

| | | |
|---|--------|--------|
| Limited(常熟德加维家饰用品有限公司) Xizang Sannan Fuanna Home Textile Company Limited(西藏山南富安娜家居用品有限公司) | - | 6,618 |
| Shenzhen Sannan Fuanna Home Textile Company Limited(深圳市富安娜家饰用品有限公 司) | - | 1,216 |
| Yichang Saifu Home Textiles Company Limited(宜 昌赛福家纺有限公司) | - | 1,078 |
| Binzhou Yu Yue Home textile Company Limited(滨 州愉悦家纺有限公司) | - | 831 |
| Yantai Mingyuan Home Textile Company Limited(烟台明远家用纺织品有限公司) | - | 800 |
| Yantai Beifang Home Textile Company Limited(烟 台北方家用纺织品有限公司) | - | 700 |
| Fujian Jialixi Home Textile Company Limited(福建 佳丽斯家纺有限公司) | - | 260 |
| Weifang Baolang Textile Company Limited(潍坊宝 良纺织品有限公司) | - | 235 |
| Weifang Fengxiang Home Textile Company Limited(潍坊锦凤翔家纺有限公司) | - | 100 |
| | 57,194 | 53,266 |

Trade and bills receivables are non-interest bearing and are usually due within 5-180 days.

The Group's major customers such as Hua Fang Holdings Company Limited (华纺股份有限公司) and Binzhou Yu Yue Home textile Company Limited (滨州愉悦家纺有限公司) are domestic home textiles manufacturers which purchased the Group's cotton fabrics products and further process the fabrics into other home textiles products for sales to their domestic and overseas customers. They have over 10 years of business relationship with the Group and therefore are granted a longer credit period (i.e. a 3-month credit period) compared to other new customers.

In addition, there was a recent increase in sales to overseas customers with the usual 2-month credit period.

As result of the recent increase in transactions with these customers with longer credit periods, there was an increase in trade receivables and bills receivables for the quarter ended 31 March 2015. Correspondingly, the trade and bills receivables exceeds the revenue for the quarter ended 31 March 2015.

By Order of the Board
CHINA HONGCHENG HOLDINGS LIMITED

Liu Ming
Executive Chairman

18 May 2015