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

RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON THE FINANCIAL RESULTS ANNOUNCEMENT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017

The Board of Directors (the "**Board**") of Ziwo Holdings Ltd. (the "**Company**", and together with its subsidiaries, collectively the "**Group**") refers to the Results Announcement released on 14 November 2017 ("**Results Announcement**"). The Board would like to respond to the following queries raised by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 11 December 2017 (each, a "**SGX Query**") as follows:

SGX Query:

a. You have disclosed that "[w]ith reference to the advance payment to supplier for the purchase of new equipment ('deposits') of RMB 28.0 million to Beijing Chonglee Machinery Engineering Co. Ltd. ('BCME') in 2015 for the construction of a production line which the Company has decided not to proceed with the installation, the Company has started negotiating with BCME for the refund of the deposits." Please provide further clarification on the following:

   i. When were the deposits paid;
   ii. Please provide details of the BCME agreement and its material terms and conditions;
   iii. Please provide details of the equipment ordered / its capacity / when was the equipment expected to be delivered;
   iv. Please provide reasons as to why the company entered into this agreement in 2015 when it was issuing profit guidance throughout 2015; and
   v. Whether the Board of Directors' approval was obtained for the significant pre-payment of RMB 28 million.

Company's Response to SGX Query:

The deposit was paid in the last quarter of 2015. The acquisition and pre-payment were approved by the Board. The details of the contracts signed with BCME as follows:

Machinery Contract: Construction of a new production line and acquisition of a new PET Spinning and Drawing machine and Yarn Warping machine.
Contract signed on: July 2015
Contract Size: RMB 30.8 million
Progressive Payment:
1. Upon signing of contract: 60% deposit of RMB 18.5 million
2. 3 months after signing of contract: 20% progressive payment of 6.2 million
3. 1 week before delivery: 15% progressive payment of 4.6 million
4. Last 5% is kept as retention fee and will only be released to supplier at the end of 12 months if goods are produced at an acceptable quality level or 18 months after hand over of machinery

Service Contract: Design, Installation, calibration of machinery and training of production / engineering
Contract signed on: July 2015
Contract size: RMB 6.8 million
Progressive Payment:
1. 15 days upon signing of contract: 50% deposit of RMB 3.4 million
2. Upon completion of contract: remainder 40% of RMB 2.7 million
3. Last 10% is kept as retention fee and will only be released to supplier at the end of 2 years if there are no issues with the machinery

Key Terms:

1. BCME must deliver machinery within 9 months of signing of contract;
2. Within 15 days, the Company is to provide technical specifications and requirements;
3. Upon receipt of design proposals, the company is to revert and confirm within 10 days;
4. By 9 September 2016, BCME must complete design and installation;
5. If the company delays providing information, BCME has the right to delay delivery;
6. If no information is provided for more than 2 months, BMCE can end the contract;
7. If the Company delays payment, 15% of contract sum as compensation must be paid to BCME including any bank interest;
8. If the Company delays taking delivery without valid reason, BCME can charge the company RMB 5,000 per day;
9. If the Company fails to take delivery after more than 6 months, BCME has the right to demand compensation;
10. If BCME does not fulfil its contractual obligations, they have to pay compensation of 15% of the contract sum to the Company; and
11. Warranty of 3 years

The Company decided to purchase new equipment to manufacture new products to replace the 30 Filament Yarn products which have ceased production. The Company ordered the construction of a new production line and acquisition of a new PET Spinning and Drawing machine and Yarn Warping machine. The addition of these machinery will create new capacity of approximately 500 tonnes per month for production of new products. The Company was supposed to take delivery of the machinery in September 2016 and the new production line was expected to be in operation in the first quarter of 2017. Due to the adverse economic conditions, the Company did not take delivery of the above machinery or proceeded with the installation. Please refer to our announcement dated 8 September 2016.

The Company has started negotiating with BCME for the refund of the deposits.

BCME responded by requesting that the Company take delivery of the machinery and for the balance RMB 9.6 million be paid in full. BCME also reserved its rights to claim compensation from the Company for losses suffered and storage cost.

The Company is currently in consultation with its Chinese solicitors to review its options including modifying the customised production line for on sale to other customers. Modifying the customised production line will entail additional cost which has yet to be determined.

SGX Query:

b. You have disclosed that only one production line is operating.

   i. Please clarify how many production line(s) are not in operation.
   ii. Please explain what the current capacity utilization of the Company's production capacity is. This was not answered previously.

Company's Response to SGX Query:

The Company has 1 other production line which was not in operation. The capacity utilization for this quarter was approximately 14%.

SGX Query:

c. As regards the "cost of sales", please provide a comparative breakdown and explain the decrease in cost of sales [cost of goods manufactured (raw materials and packing order / direct labour / manufacturing overheads (electricity and water, maintenance, transportation and machinery overheads)] by approximately RMB 10.1 million or 80.4% from RMB 12.5 million in 3Q2016 to RMB 2.5 million in 3Q2017.

Company's Response to SGX Query:

Cost of Sales	**3 Months ended 30 September 2017 RMB '000**	**3 Months ended 30 September 2016 RMB '000**
Cost of goods manufactured (Raw Materials and Packing Material)	1,644	9,489
Direct Labour	155	1,053
Manufacturing Overheads (electricity and water, Maintenance, Transportation, and Machinery overheads)	652	1,978

For the third quarter ended 30 September 2017 our revenue decreased by approximately RMB 10.1 million or 81.5% from RMB 12.4 million in the corresponding third quarter ended 30 September 2016 to RMB 2.3 million, the cost of sales declined accordingly by approximately RMB 10.1 million or 80.4% from RMB 12.5 million in 3Q2016 to RMB 2.5 million in 3Q2017.

BY ORDER OF THE BOARD

Wilson Chua
General Manager for Finance and Admin
12 December 2017