

FUJIAN ZHENYUN PLASTICS INDUSTRY CO., LTD.
(Incorporated in the People's Republic of China)

DEMAND FOR REFUND FROM CUSTOMER

The Board of Directors (the "Board") of Fujian Zhenyun Plastics Industry Co., Ltd (the "Company", together with its subsidiaries, the "Group") wishes to announce that its subsidiary, Hebei Zhenyuan Pipes Co., Ltd ("河北振源管业有限公司" or "Hebei Zhenyuan" or the "Subsidiary") had received a request for refund from its customer, China Ge Zhou Ba Group Ltd ("中国葛洲坝集团股份有限公司" or "GZB") on 18 August 2014. The Company had upon notification of the receipt of the legal letter by Hebei Zhenyuan from GZB, immediately initiated an internal inquiry (the "Internal Inquiry") on this matter.

Hebei Zhenyuan signed an agreement (the "Agreement") in May 2013 to supply waste water piping products to GZB amounting to RMB37.9 million for GZB's project in Iraq. Hebei Zhenyuan started delivering the pipes in 2013 and has since delivered approximately RMB21.8 million worth of piping products. To-date, GZB has made payments amounting to approximately RMB11.4 million.

In accordance with the terms in the Agreement, the piping products were delivered to a designated location in Tianjin where they were deemed received after GZB had conducted the necessary quality checks to ensure that the goods delivered met the specifications stipulated in the Agreement.

However, after delivery to Iraq, Hebei Zhenyuan was informed that the pipes had failed certain requirements of the quality tests conducted in Iraq. As the pipes had met the specifications during quality tests conducted in China, the customer, GZB, worked together with Hebei Zhenyuan to resolve the quality issues with the Iraqi quality test laboratory. Hebei Zhenyuan at this juncture did not report the issues to the Company as the Subsidiary was optimistic that the issues would be resolved.

GZB was not successful in its discussions and on 18 August 2014, issued a legal letter to Hebei Zhenyuan requesting for a refund of RMB12.2 million (the "Refund"). The RMB12.2 million constitutes an initial payment of RMB11.4 million paid to Hebei Zhenyuan, the freight charges to Iraq and other associated costs such as the quality tests conducted in Iraq.

Sales to GZB amounted to approximately 4.8% of the Group's sales revenue for the financial year ended 31 December 2013, and GZB is not considered a major customer of the Group. The Group had no dealings with GZB prior to FY2013. The combined effect of the Refund and allowance for impairment for trade receivables is expected to have a material negative impact on the Group's results for the financial year ending 31 December 2014.

The findings and recommendations by the Management arising from the Internal Inquiry were presented to the Board. Subsequently, the Board directed the Management to ensure that all high value sales agreements are to be vetted by legal advisors and to further strengthen operational processes to avoid recurrence of similar incidents by, amongst others, conducting appropriate training in respect of disclosure requirements pursuant to the Catalist Rules for new managers as well as arranging for regular refresher training for existing management personnel.

The Company is currently negotiating with GZB and will keep shareholders informed of any further developments via announcements on the SGXNET as and when appropriate.

On behalf of the Board

Huang Chan Chin
Executive Chairman

3 October 2014

This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, SAC Capital Private Limited, for compliance with the relevant rules of the SGX-ST. The Company's Sponsor has not independently verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr Ong Hwee Li (Tel: (65) 6221 5590) at 1 Robinson Road, #21-02 AIA Tower, Singapore 048542.