

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

RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON THE RESULT ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016

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 11 August 2016 (“**Results Announcement**”). The Board would like to respond to the following queries raised by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 6 September 2016 (each, a “**SGX Query**”) as follows:

SGX Query 1

We note on page 3 of the Results Announcement that ‘Trade and other receivables’ has increased from RMB66.923 million to RMB70.549 million. Please provide the following information:-

- (a) Provide breakdown and aging schedule
- (b) Elaborate on the nature of other receivable and the underlying transaction
- (c) Explain reason for increase of ‘Trade and other receivables’ to RMB70.549 million from RMB66.923 million when Revenue decreased 46.5% (Revenue was RMB13.914 million in 2Q2016 and RMB25.111 million in 1H2016).
- (d) Explain why customers are not paying for their purchase
- (e) Disclose identity of material debtors and whether Company has taken active steps to collect such outstanding debts. If so, disclose these.

Company’s Response to SGX Query

(a)

	As at	As at
	30-Jun-16	31-Dec-15
	RMB'000	RMB'000
Trade Receivables	35,654	33,744
Other receivables	1,495	1,739
Advances to suppliers	33,400	31,440
	70,549	66,923

Trade Receivables	30 days	60 days	90 days	120 days	150 days	180 days	7-12 month
35,654	4,836	5,197	5,073	5,802	2,660	3,233	8,853

(b) Other receivables are miscellaneous tax receivables - net. Advances to suppliers are advance payment to suppliers for the construction of new production line and purchase of machinery. Please refer to Query 6 for further information.

(c) The 5.7% increase in trade receivables was mainly due to longer repayment period by our customers.

(d) All customers have to pay for their purchases. Company typically extend credit terms to customers. However, our customers have been traditionally slow pay-masters and due to the ongoing slow-down in business activity, the collections have been delayed.

(e)

	Trade Receivables	Amount	Percentage
1	东莞市桦辉运动用品有限公司	2,950,571	4.43%
2	福建艾力艾三路鞋业有限公司	2,026,470	3.04%
3	东莞市益路华实业有限公司	2,022,025	3.04%
4	厦门华闽进出口有限公司	1,707,063	2.56%
5	东莞市方信实业有限公司	1,457,980	2.19%
	Total	10,164,109	15.27%

Company has taken active steps to collect outstanding debts. The Sales Manager and/or General Manager visit the customers frequently to follow up on the payments. Long outstanding debts would be escalated to CEO's attention and he will proceed to discuss and negotiate a payment schedule with the Customer or owner directly. If necessary, legal proceedings will be taken to pursue the claims.

SGX Query 2

We note on page 9 of the Results Announcement on the cessation of the 30D Filament Yarn production line, the decline in revenue of sandwich mesh fabric and SBR and other foamed materials. Please provide the following details:-

- (a) Why was the 30D Filament Yarn production ceased? What happened to Company's customers in this sector? What is the end production for such 30D Filament Yarn in the past? What happened to this production line and the staff? Any loans taken up for this? What is the value of investment for plant and equipment cost for this line?
- (b) Provide details of the PRC sales data in these respective business segments and are the 42.4% and 25.7% decline in line with industry performance? Please quantify and provide data to support analysis.

Company's Response to SGX Query

(a) Please refer to our profit guidance announced on 31 July 2015, second quarter results announcement on 14 August 2015, and SGX query and Company's reply where we updated our prospect on 15 October 2015. Since production ceased, we have stopped selling to new customers. Customers with outstanding balances are monitored and follow-up repayment reminders are sent. The end product is 30D Filament Yarn. The production line has ceased operation and most of the staff have left the Company. There is no loan in our Results Announcement. The historical cost is estimated to be in excess of RMB 60 million.

(b) We do not have PRC sales data in the respective business segments available to us. In general, our decline in sales are based on actual decline in sales order and demand.

SGX Query 3

We note on page 10 of the Results Announcement on the decline in raw materials cost and reduction in production capacity. Please provide the following details:-

- (a) What are the raw materials? Did price of raw materials decrease? To elaborate.
- (b) What is the capacity utilization for the Company's various plants and equipment? How much was reduction in production capacity?

Company's Response to SGX Query

(a) The raw materials are mainly natural rubber. Price of raw materials decreased by approximately 16% based on average prices.

(b) The capacity utilization rate for SBR is approximately 16% and high-density foamed materials is approximately 40% in 2Q 2016. This was approximately 20% and 40% respectively in 2Q 2015. Production capacity reduced by approximately 77.0% quarter-on-quarter mainly due to the cessation of the 30D filament yarn.

SGX Query 4

We note on page 12 of the Results Announcement on impairment allowance, impairment expense for trade receivables, one-time charge of prepaid know-how, machinery obsolescence, and bad debts written off due to 2 customers who had suddenly ceased operations. Please provide the following details:-

- (a) Elaborate impairment of what and basis for impairment.
- (b) Why is there a one-time charge of prepaid know-how and why prepaid and to whom, for what, when prepaid.
- (c) On machinery obsolescence, when were these machines acquired.
- (d) Provide details and breakdown of impairment expense for trade receivables.
- (e) On bad debts written off due to 2 customers who had suddenly ceased operations, to provide the following information:-

- (i) Who are these 2 customers, identify of the 2 customers? Owing since when and amount owing? Whether they are major customers? Are they wound up? When these 2 customers cease operations? Has Company filed claim on winding up?
- (ii) Were the 2 customers related to the customer claims earlier? If so how much were paid to them for the customer claims? When paid?

Company’s Response to SGX Query

(a) Page 13 of our Results Announcement states that the allowance is for the impairment of trade receivables. Page 13 of our Results Announcement also states the basis of the impairment charge for trade receivables which are in accordance with the Group’s policy for long outstanding amounts.

(b) This was already explained in our second quarter results announcement on 14 August 2015, the subsequent query and reply on 20 August 2015, our announcement on 6 October 2015, third quarter results announcement on 13 November 2015 and the subsequent query and reply on 15 March 2016.

(c) These machine were mainly acquired in 2006, 2007 and 2008.

(d)

	RMB'000
Outstanding amount > 12 months	15,404
Outstanding amount 7 - 12 months	9,013
Total impairment balance	24,417
Less: Balance b/f	16,121
Additional impairment charge	8,297

Group policy is to provide for 100% for outstanding amount more than 12 months and 50% for outstanding amount between 7-12 months.

(e) (i) The 2 customers are 泉州市海川聚盛织造有限公司 and 晋江龙豪鞋材有限公司. The amount owing are RMB 221,942 and RMB 4,212,990 respectively. The amounts were owed within 12 months. In terms of amount outstanding, 龙豪 is a major customer. We believed they have ceased operation in the second quarter of the year. The Company intends to file claims against the 2 Companies.

(ii) The 2 customers are not related to the customer claims as announced previously.

SGX Query 5

We note on page 14 of the Results Announcement on “smaller quantity of 30D filament yarn” phased out since last year. Please quantify how much inventory of this.

Company's Response to SGX Query

Inventory for 30D filament yarn amounted to approximately RMB 2.9 million as at 2Q 2015 and RMB 0.3 million as at 2Q 2016.

SGX Query 6

We note on page 14 of the Results Announcement on a deposit amounting to RMB 33.4 million for purchase of new equipment. Please provide the following details:-

- (a) Why is there a deposit for purchase of new equipment when the Company's sales has decreased.
- (b) What type of new equipment.
- (c) How much is the total cost of the new equipment.
- (d) When deposit paid and whether the Board approve the deposit.
- (e) Provide details of the proposed acquisition and capacity impact.
- (f) Disclose deposit paid to whom and provide identity of supplier, delivery date, supplier's financial standing and ability to refund the deposit to the Company.

Company's Response to SGX Query

- (a) Precisely due to the acute decrease in sales, the Company decided to purchase new equipment to manufacture new products to replace the 30 Filament Yarn products which we have ceased production.
- (b) The deposits are for the construction of a new production line and acquisition of a new PET Spinning and Drawing machine and Yarn Warping machine.
- (c) The total cost for the construction of the new production line is approximately RMB 37.6 million. The acquisition of the new equipment is RMB 6.8 million.
- (d) As already disclosed previously in our full year results announcement – page 13, the deposit was paid in the last quarter of 2015. The acquisition has been approved by the Board.
- (e) The deposits are for the construction of a new production line and acquisition of 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.
- (f) The deposit was paid to Beijing Chonglee Machinery Engineering Co., Ltd (“CTAMP”) for the construction of the production line and Changzhou Diba Textile Machinery Co., Ltd (“CDTM”) for the acquisition of the machine. CTAMP has been in business for over 40 years and as disclosed on their website, they are one of the biggest

modern chemical fibre production machinery manufacturers in China and possesses a National Class A engineering qualification. CDTM has been in operation since 1984 and are a leader in the field of warping and warping knitting machine manufacturing. The Company will take delivery of the machinery in the month of September 2016. The new production line is expected to be in operation in the first quarter of 2017. The Company has assessed both companies to be reputable and credible and are able to refund the deposit if necessary.

SGX Query 7

We note on page 15 of the Results Announcement on cash used in investing activities pertains to the purchase of equipment which amounted to RMB1.3 million in 2Q2016. Why is Company still purchasing equipment, what type of products and provide details of capacity of production.

Company's Response to SGX Query

The Company is purchasing new equipment because it is still in operation and the new equipment purchased is to replace old machinery and maintain the quality of our products. The equipment purchased is a mixer for our SBR and foamed products. The replacement of the mixer is not expected to significantly change the existing production capacity.

SGX Query 8

We note on page 15 of the Results Announcement on the statement of 'weak business climate'. Please provide specific economic data in Fujian PRC relating to the textile industry to support this statement.

Company's Response to SGX Query

We do not have specific economic data in Fujian PRC relating to the textile industry. The statement was an assessment by the Company of the general outlook of the business climate. Various financial website including Market Realist reported subdued manufacturing PMI for China in June compared to May and this indicated a slowdown in business activity and weak business climate.

BY ORDER OF THE BOARD

Ting Chun Yuen
Executive Chairman and Chief Executive Director
8 September 2016