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

RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON THE RESULTS ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2015

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 29 February 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 14 March 2016 (each, a "**SGX Query**") as follows:

SGX Query 1

We refer to page 9 of the Results Announcement. We note that "Revenue from sandwich mesh fabric declined by 45.9% from RMB 5.9 million in 4Q14 to RMB 3.2 million in 4Q15, while revenue from SBR and other foamed materials declined by 52.6% from RMB 29.0 million to RMB 13.8 million. Please elaborate specifically why revenue declined by 45.9% and 52.6% respectively.

Company's Response to SGX Query

Due to the uncertain economic conditions in the PRC, demand for our products in general have been decreasing. As a result, orders for SBR and other foamed materials have reduced year-on-year. As announced on 31 July 2015, the Group has decided to cease operations for 30D terylene filament yarn due to deteriorating business conditions. This has also resulted in the reduction of our production output for sandwich mesh fabric which uses the yarn as a raw material. Coupled with falling demand of sandwich mesh fabric, revenue has declined year-on-year.

SGX Query 2

We refer to page 11 of the Results Announcement. We note that there is "a one-time sale in 4Q15 of remaining stock of 30D terylene filament yarn at below cost". Please provide the following information:-

(a) What price below cost is this sold at and sold to whom

(b) Why sell below cost

(c) Why was cost so high

(d) How significant is the sale and what is market price and whether it was sold below market price

Company's Response to SGX Query

(a) This was sold at an average price of 55.9% below cost. The goods were sold to the following customers:

1. 东莞市闽信纺织品有限公司
2. 石狮市豪德盛实业有限公司
3. 晋江市升泰纺织有限公司
4. 福建省晶发针织品有限公司
5. 元丰（泉州）纺织有限公司
6. 福建有道高分子科技有限公司
7. 东莞市亿博纺织品有限公司
8. 厦门嘉裕盛针纺有限公司
9. 泉州天贸轻纺有限公司

(b) The stock of 30D terylene filament yarn was sold at below cost because these were defective goods from the same batch which was the subject of product defect claims previously. The customers accepted the defects in the goods in consideration of the marked-down prices.

(c) The cost is consistent with the average production cost of 30D terylene filament yarn.

(d) This one-time sale represented 0.46% of total sales and 2.2% of total sales of 30D terylene filament yarn. The market price is approximately RMB 13/kg on average and it was sold below market price because it was defective.

SGX Query 3

We refer to page 12 of the Results Announcement. We note that "other operating expenses comprise mainly allowance for impairment of trade receivables, impairment of PPE, write-down of inventory, bad debts expenses, prepaid know-how written off product defect claims". Please provide the following information:-

(a) Please elaborate on the controls in place for the board to deliberate on and question the merits of the actions taken by management to recover the amounts written off and the reasonableness of the methodologies used to determine the values of write-offs or impairments in relation to "allowance for impairment of trade receivables" and "impairment of PPE".

(b) Please provide the aging, type of inventory, nature of write down and how it was valued in relation to "write-down of inventory"

(c) Please quantify and disclose who are the customers in relation to "bad debts expense"

(d) Please provide details of "pre-paid know-how written off product defect claims".

Company's Response to SGX Query

(a) The Audit Committee has deliberated and established the impairment policy for trade receivables. In the event of deviations from the policy or when there are material bad debts, it will be submitted to the AC for discussion and approval. While there is no fixed policy for impairment of PPE, any material write-downs are also submitted to the Board for discussion and approval. The management is also required to explain to the AC on any material adjustments to the trade receivables and PPE.

(b) Inventories are approximately 2 years or more. These comprise mainly sandwich mesh fabric and other raw materials. Inventory write downs are made for obsolete, slow-moving and defective inventories. Inventories are stated at the lower of cost and net realisable value.

(c)

	Customers	Amount (RMB)
1	石狮市锋源盛织造有限公司	644,436.00
2	福建省晋江市永昌鞋材织物有限公司	1,406,215.00
3	泉州市海川聚盛织造有限公司	221,942.00
4	泉州三川织造有限公司	390,000.00
5	中山市鑫昌纺织品有限公司	145,242.00
6	长乐鑫荣纺织有限公司	212,351.00
7	鑫威(福建)轻工有限公司	519,265.00
8	东莞市骏荣潜水衣料有限公司	179,160.00
		3,718,611.00

(d) Prepaid know-how relates to the technical know-how for anti-odour fibre material used in the production of 30D filament yarn and formula for SBR. Product defect claims relate to compensation claims against our company for defective filament yarn and sandwich mesh sold to our customers. This was disclosed in the Second Quarter Results Announcement on 14 August 2015 and in our reply to subsequent query from SGX on 20 August 2015, as well as in our further announcements on 6 October 2015 and Third Quarter Results Announcement on 13 November 2015.

SGX Query 4

We refer to page 13 of the Results Announcement. We note that there is a "refund of deposit for purchase of investment amounting to RMB 100 million". Please provide details of this investment and why such significant deposit is paid.

Company's Response to SGX Query

This relates to the proposed acquisition of 25% equity stake in the capital of Xisheng (Quanzhou) Investment Co., Ltd which was aborted. Please refer to the Company's announcement on 29 September 2014 and 26 December 2014. Please also refer to the disclosures made in the Quarterly Results Announcements on 14 Nov 2014 - Page 13; 25 February 2015 - Page 13; 14 May 2015 – Page 12; 14 August 2015 – Page 14 and 13 November 2015 – Page 14.

BY ORDER OF THE BOARD

Ting Chun Yuen
Executive Chairman and Chief Executive Director
15 March 2016