**GREAT GROUP HOLDINGS LIMITED**

**RESPONSE TO SGX'S QUERIES REGARDING ANNOUNCEMENT OF QUARTERLY RESULTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2014 (THE "RESULTS")**

The Board of Directors of Great Group Holdings Limited ("Company") refers to its Third Quarter Results Announcement and wishes to provide the following information in response to the queries raised by the Singapore Exchange Securities Trading Limited ("SGX") on 5th December 2014.

SGX Query 1:-

In paragraph 8 of the Company's 3Q2014 Results Announcement ("Announcement"), the Company stated in the Announcement that "The decrease in administrative expenses is mainly due to allowance for impairment of trade receivables of RMB39.5 million and RMB 60.1 million provided for the contract manufacturing business segment in 3Q13 and 9M13 respectively." Please:

(a) Provide details on why these trade receivables have been impaired;

Company's Response:

| In RMB million | Third Quarter ended 30 Sept | | Nine Months ended 30 Sept | |
|---|---|---|---|---|
| | 3Q13 | 3Q14 | 9M13 | 9M14 |
| Collect Source Limited | 19.1 | - | 29.9 | - |
| Sparkle-Tex Limited | 20.4 | - | 30.2 | - |
| Total | 39.5 | - | 60.1 | - |

Allowances for impairment of trade receivables of RMB 39.5 million and RMB 60.1 million in 3Q13 and 9M13 respectively were provided for Collect Source Limited and Sparkle-Tex Limited, two major customers of our contract manufacturing segment. Details of the reasons for the impairment of these receivables (which included factors such as historical collections and deliveries trends, current unfavourable market conditions for the China's textile export and changes in payment and delivery pattern, etc.) can be found in our 3Q2013 results announcement dated 8 November 2013, with further updates on these two major customers provided in our FY2013 full year results announcement issued on 1 March 2014 and our subsequent announcement made on 18 March 2014.

(b) Provide a breakdown of sales to these customers;

Company's Response:

Sales

| In US$ million | Third Quarter ended 30 Sept | | Nine Months ended 30 Sept | |
|---|---|---|---|---|
| | 3Q13 | 3Q14 | 9M13 | 9M14 |
| Collect Source Limited | - | - | 7.5 | - |
| Sparkle-Tex Limited | - | - | 8.4 | - |
| Total | - | - | 10.7 | - |

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(c) Disclose the trade receivables balance before the provision for doubtful debts;

Company's Response:

| | In US$ million | | In RMB million | |
|---|---|---|---|---|
| | 30/9/13 | 30/9/14 | 30/9/13 | 30/9/14 |
| Collect Source Limited | 10.8 | 10.8 | 66.1 | 65.8 |
| Sparkle-Tex Limited | 10.7 | 10.7 | 65.7 | 66.2 |
| Total | 21.5 | 21.5 | 131.9 | 132.0 |

The difference in RMB for 30/9/13 and 30/9/14 was due to the exchange rate.

(d) Provide details on the debts collected from these customers since 3Q2013; and

Company's Response:

| In RMB million | Collection since 3Q13 |
|---|---|
| Collect Source Limited | - |
| Sparkle-Tex Limited | - |
| Total | - |

(e) Provide the balance outstanding from these major customers and an update on the status of their financial condition.

Company's Response:

| | In US$ million | | In RMB million | |
|---|---|---|---|---|
| | 30/9/13 | 30/9/14 | 30/9/13 | 30/9/14 |
| Collect Source Limited | 10.8 | 10.8 | 66.1 | 65.8 |
| Sparkle-Tex Limited | 10.7 | 10.7 | 65.7 | 66.2 |
| Total | 21.5 | 21.5 | 131.9 | 132.0 |

The difference in RMB for 30/9/13 and 30/9/14 was due to the exchange rate.

The balance outstanding from these major customers has been fully impaired and the Group has completely ceased business dealings with them. The results of independent investigations performed on the two major customers for purposes of debt recovery through a combination of open source research, field enquiries and discreet enquiries revealed that they have no material assets that may be enforced against. Our Hong Kong and PRC lawyers have advised that the prospect of recovery against these two customers is minimal. The relevant disclosure and the status of these two major customers can be found in our FY 2013 full year results announcement issued on 1 March 2014. Further elaboration was provided in a subsequent announcement dated 18 March 2014.

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SGX Query 2:-

In the Balance Sheet, "Trade and other receivables" amounted to RMB 183.5 million.

(a) Please provide:-

(i) A breakdown and explain on significant items;

Company's Response:

| In RMB million | 30 Sept 2014 | Remarks |
|---|---|---|
| Trade Receivables | 181.1 | RMB 176.2 million (97.3%) from two major customers of RMB 132 million (72.9%) and top 10 customers of RMB 44.2 million (24.4%) |
| Less: Allowance for impairment of trade receivables | (136.9) | RMB 135.7 million (99.1%) from two major customers of RMB 130.8 million (95.5%) and top 10 customers of RMB 4.9 million (3.6%). |
| | 44.2 | |
| Advances to suppliers | 129.2 | RMB 76.3 million (59.1%) from top 10 suppliers and with remaining RMB 52.9 million (40.9%) from more than 200 small suppliers. |
| Less: Allowance for impairment of advances to suppliers | (3.6) | 100% from more than 200 small suppliers |
| | 125.6 | |
| Other receivables | 3.3 | Other receivables from more than 100 accounts. |
| Value added tax receivables | 10.4 | VAT related to PRC Trade Receivables |
| Total | 183.5 | |

(ii) Details on the payment terms for the new raw materials;
(iii) Details on who these suppliers are; and

Company's Response:

| New Raw Materials Suppliers | 30 Sept 2014 | Delivery and Payment Terms |
|---|---|---|
| | RMB million | |
| 邱县伟创纺织有限公司 | 6.8 | 100% payment is made before delivery. Delivery time is approximately 3 to 7 months from the date of payment. This longer time period is due to adjustments in working with new raw materials suppliers and dependent on the availability of items. |
| 绍兴县恒纳纺织有限公司 | 6.1 | |
| 佛上市南海奇特纺织有限公司 | 3.9 | |
| 咸宁市咸安区宏发纺织公司 | 4.0 | |
| 邱县同顺纺织有限公司 | 3.6 | |
| Total | 24.4 | |

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(iv) Details on the new raw materials and the uses of these new raw materials.

Company's Response:

| New Raw Materials Suppliers | Name of Raw Materials | Usage |
|---|---|---|
| 邱县伟创纺织有限公司<br>绍兴县恒纳纺织有限公司<br>佛山市南海奇特纺织有限公司<br>咸宁市咸安区宏发纺织公司<br>邱县同顺纺织有限公司 | 棉布<br>涤棉染色布<br>棉布<br>棉布<br>棉布 | Following the shift from lower end to higher end products, lower end products are in the process of being phased out. To produce higher end products, new raw materials suppliers and raw materials are required. |

(b) Please explain for the significant increase in advance to suppliers when sales recorded were flat.

Company's Response:

Besides a total increase of RMB 24.4 million from 5 new raw materials suppliers, another increase of RMB 29.9 million was due to a financing arrangement (流动资金贷款) for 泉州万晟织造有限公司. With the refund of RMB 10.3 million received, the amount due from 泉州万晟织造有限公司 is reduced to RMB 19.6 million as at 31 October 2014.

(c) Please provide an aging analysis for the receivables.

Company's Response:

Trade and other receivables

| In RMB million | Aging Analysis | | | | | | |
|---|---|---|---|---|---|---|---|
| | < 90 days | 90- 180 Days | >180 days | > 1 Yr | Total | Impairment Provided | Net Total |
| Trade receivables | 36.0 | 2.1 | 3.4 | 139.6[1] | 181.1 | (136.9) | 44.2 |
| Advances to suppliers | 57.5 | 53.7 | 9.2 | 8.8[2] | 129.2 | (3.6) | 125.6 |
| Other receivables | 3.3 | - | - | | 3.3 | - | 3.3 |
| Value added tax receivables | 10.4 | - | - | - | 10.4 | - | 10.4 |
| **Total** | 107.2 | 55.8 | 12.6 | 148.4 | 324.0 | (140.5) | 183.5 |

Note:

[1] With the collection of RMB 2.3 million from 厦门市惠丰达进出口有限公司 in October 2014, the amount is reduced to RMB 137.3 million.

[2] Balance of RMB 5.2 million is expected to be settled by end of 4Q2014.

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SGX Query 3:-

In the Cash Flow Statement, Company announced that "certain comparatives have been reclassified to be consistent with current period's presentation" for its "Trade and other receivables". Please provide details on the "certain comparatives" mentioned.

Company's Response:

The comparatives made to 3Q 13 and 9M13 should be "Trade and other payables" instead of "Trade and other receivables".

| In RMB thousand | Third Quarter ended 30 Sept 2013 | | Nine Months ended 30 Sept 2013 | |
|---|---|---|---|---|
| | Original | Reclassified | Original | Reclassified |
| Trade and other payables | 22,718 | 19,657 | 28,251 | 21,162 |
| Bills Payables | (3,061) | - | (7,089) | - |
| Total | 19,657 | 19,657 | 21,162 | 21,162 |

There is no change in numbers as tabulated above.

In the upcoming announcement, we will make the change accordingly.

SGX Query 4:-

In paragraph 8 of the Announcement the Company disclosed under "Discontinued operation" that "Prior thereto, there was loss of control culminating in the resignation of the Group's representative on the Board of Sinex in September 2014".

Please details:

(a) On the background of Christensen, Jens Frulund;

Company's Response:

Jens Frulund Christensen is the founder of Sinex Solutions Limited ("Sinex"). He came to China in 2004 and studied Chinese and Economics in the Shanghai University of Finance and Economics. He left university in 2005 and began working in trading together with two Swedish partners. In 2007, they established their first company Kinakontakten, which traded in a number of different consumer commodities. He was the acting COO and was responsible for service and quality in almost 10 partnering factories in China.

(b) On the events or factors that led to the loss of control; and

Company's Response:

Under clause 2.3(a) of the Sale and Purchase Agreement, an initial tranche of US$ 500,000 expected to be paid to Jens Frulund Christensen in 2Q2014 did not materialise. This led to the resignation of the Group's Executive Director and Chairman ("CEO') from the Board of Sinex in September 2014. This resignation is considered as a loss of power to govern the financial and operating policies of Sinex.

c) On the steps taken by the Company for losing this right.

Company's Response:

This is no longer relevant as the Company has subsequently entered into a termination agreement with Jens Frulund Christensen on 23 October 2014 to terminate the acquisition of Sinex.

SGX Query 5:-

In paragraph 8 of the Announcement the Company disclosed under "Commentary on Financial Position" that "Allowance for impairment of trade receivables" amounted to RMB136.9 mil.

i) Please provide a breakdown to RMB136.9 mil by customers;

Company's Response:

| In RMB million | 30 Sept 2014 |
|---|---|
| Collect Source Limited | 65.6 |
| Sparkle-Tex Limited | 65.2 |
| 厦门市惠丰达进出口有限公司 | 3.3 |
| 德景商贸（上海）有限公司 | 1.6 |
| 打锡街 | 0.3 |
| 杭州维广服饰 | 0.2 |
| 晋江市维鹏服饰 | 0.1 |
| 厦门鑫沃进出口 | 0.1 |
| Other customers (Total of 26 Customers) | 0.5 |
| Total | 136.9 |

ii) Please provide details on the steps taken by the Company to-date to collect from these customers; and

Company's Response:-

With the exception of 厦门市惠丰达进出口有限公司, there was no sales made to these customers for 9 months in 2014. The outstanding receivable from this particular customer is being closely monitored for payment.

The usual steps taken by the Company to collect the outstanding debts are as follows:

- Follow-up actions through sending demand letters and personal visits.
- Cease trading (if necessary).
- Seek legal advice from lawyers in Hong Kong and People's Republic of China ("PRC") on debt recovery.
- Initiate legal proceedings if required.

iii) Please also provide the sales to these customers for 9-months 2014.

Company's Response:

| In RMB million | 9M14 | Remarks | |
|---|---|---|---|
| Collect Source Limited | - | Note: *3 | |
| Sparkle-Tex Limited | - | | |
| 厦门市惠丰达进出口有限公司*3 | 2.8 | Sept 2014 Sales | 2.8 |
| 德景商贸（上海）有限公司 | - | Collection in Oct 2014 | (2.3) |
| 打锡街 | - | Balance | 0.5 |
| 杭州维广服饰 | - | | |
| 晋江市维鹏服饰 | - | The balance of RMB 0.5 million is being closely monitored | |
| 厦门鑫沃进出口 | - | | |
| Other customers (Total of 26 customers) | - | | |
| Total | 2.8 | | |

SGX Query 6:-

In paragraph 8 of the Announcement the Company disclosed under "Commentary on Financial Position" that "Write-down of finished goods which were considered obsolete" amounted to RMB8.07 mil."

i) Please explain why the finished goods were considered obsolete; and
ii) Please provide an aging analysis for these finished goods.

Company's Response:

The sales of GRAT.UNIC products have not improved despite the downward adjustment of selling prices. The Company has written-down the following inventories:

- Finished goods aged more than five years – RMB 3.77 million.
- Non-core products such as jacket, jeans, t-short etc. manufactured by third parties in FY 2010 and FY 2011 for the business expansion – RMB 4.30 million.

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SGX Query 7:-

In paragraph 8 of the Announcement the Company announced under "Commentary on Financial Position" that "Inventories as at 30 Sept 2014 were RMB38.6 million, representing a decrease of RMB20.1 million from RMB58.7 million as at 31 December 2013, mainly due to the decrease in raw materials and finished goods which were consumed for production and sold during 9M14."

Please explain why there is an increase in prepayment for raw materials when there is a decrease in raw materials consumed for production.

Company's Response:

The increase in prepayment for raw materials is explained in 2(b). A decrease in raw materials consumed for production (Inventory) is part of the Group's continuous effort to improve its financial efficiencies in tightening inventory control.

BY ORDER OF THE BOARD

Ong Wei Jin
Company Secretary
9th December 2014