FULL APEX (HOLDINGS) LIMITED
(Incorporated in Bermuda with limited liability)

RESPONSE TO SGX'S QUERIES ON FULL YEAR FINANCIAL STATEMENT ANNOUNCEMENT FOR THE PERIOD ENDED 31 DECEMBER 2015

The Board of Directors of Full Apex (Holdings) Limited (the "Company") wishes to provide the additional information in response to the following queries raised by SGX on 9 March 2016:

SGX'S QUERY 1:

The Group recorded an impairment loss of RMB305.9 million on property, plant and equipment ("PPE") for FY 2015 and the Company represented that recoverable amount of these PPE was the estimated future cash flows discounted to their present value using a pre-tax discount rate on page 3.

In this regard, please disclose:

(i) what were the procedures conducted by the Company in assessing the impairment amounts. Did the Company considered other options, including but not limited to, disposal of the relevant property, plant and equipment;

(ii) confirmation from the Board on whether it is satisfied with the reasonableness of the methodologies used to determine the impairments of fixed assets;

(iii) whether the board had sought appropriate independent professional advice. If yes, identify the professionals and provide the Board's confirmation as to whether the professionals appointed by the Company have the necessary experience; and

(iv) the board's opinion whether the Company can continue as a going concern and whether trading in the shares of the Company should be suspended.

COMPANY'S RESPONSE TO QUERY 1:

(i) In accordance with IAS 36, recoverable amount is defined as the higher of the value in use ("VIU") and fair value less cost of disposal ("FVLCOD"). The Group assessed the recoverable amount of the PPE by each cash generating units ("CGU") as discussed below.

PET bottles and preforms

The Group closed its PET bottle plants in Shenzhen and Tianjin in the fourth quarter of

FY2015. The Group did not have any plan to relocate the machines in both the plants to other plants for future production. Therefore, these assets will not expect to have any VIU amount. The Group assessed the recoverable value of these machines based on their respective FVLCOD. Other than certain bottle blowing machines with net carrying amount of RMB5.5 million, which the Group could obtain quotations from used equipment suppliers, the other machines are fully impaired. The total impairment provision for those machines in Tianjin and Shenzhen plants are approximately RMB49.1million.

The Group rented parts of Pepsi Group's factories for production in Tianjin and Shenzhen and has to move out from these factories. The leasehold improvement for these two plants amounted of RMB20.6 million are fully impaired. Nevertheless, the Group is in negotiation with Pepsi Group regarding compensation to recover a portion of the leasehold improvement cost incurred and the outcome of the negotiation is currently still uncertain.

As the Group's operations in Chengdu, Jiedong, Qingdao and Zhanjiang plants have ceased, the Group believe the original plan to reallocate all these machines to other plants was no longer feasible. Therefore, these assets do not expect to have any VIU amount and the Group assessed the recoverable value of these production machines based on their respective FVLCOD. Other than certain bottle blowing machines with net carrying amount of RMB1.4 million, which the Group obtained quotations from used equipment suppliers, the other machines are fully impaired. The total impairment provision charged for the machines in these plants are approximately RMB42.2 million.

The remaining assets in these plants amounted to approximately RMB41.4 million, mainly comprised buildings. These buildings could be rented to third parties to be used as industrial workshop or warehouse. Based on the current transaction prices of similar land and the relevant rental market rates for buildings in Jiedong, Qingdao and Zhanjiang, the Group believes there is no impairment required for these buildings.

For the remaining PET bottles and preform plants which are expected to be still in operation, the Group have determined the recoverable value of these PPE based on their VIU. The Group used discounted cash flow method based on financial budgets approved by the senior management covering a five-year period. The projected cash flows beyond five-year period are assumed to remain the same as fifth year. Since the VIU amounts of these assets are higher than their respective carrying amounts, no impairment losses are required for these assets.

PET Resin

The PET Resin business is expected to be still in operation and the Group determined the recoverable value of these PPE based on their VIU. The Group used the discounted cash flow method based on financial budgets approved by the senior management covering a five-year period at a discount rate of 6.64%. The projected average turnover growth rate for next five-year period is approximately 7% with lower sales volume expected in FY2016 and the Group assumed the revenue will gradually increase in respect of both the sales volume and unit selling price going forward, as a result of the expected recovery of crude oil price. The projected cash flows beyond five-year period are assumed to remain the same as fifth year. Since the resulted VIU amount of these PPE is approximately RMB701 million, which is lower than their carrying amounts, the impairment loss of the PPE in the PET resin segment is approximately RMB194 million.

Paper packaging products

Paper packaging products segments are expected to continue to be in operation and the Group determined the recoverable value of these PPE based on their VIU. The Group used discounted cash flow method based on financial budgets approved by the senior management covering a five-year period. The cash flows beyond five-year period are assumed to remain the same as fifth year. Since the VIU calculation of these assets are higher than their carrying amounts, no impairment charge will be required for these assets.

(ii) The Board is satisfied with the reasonableness of the methodologies used to determine the impairment loss of fixed assets.

(iii) The Board did not seek independent professional advice in determine the impairment loss but discussed with the auditors and agreed that the bases are reasonable.

(iv) Although some of the Group's PET bottle plants are closed (Tianjin and Shenzhen) and some others have ceased operation (Chengdu, Qingdao, Zhanjiang, Jiedong) in FY2015, the remaining plants are still in operation. In addition, the total turnover of these plants only accounted for 22.7% and 16.0% of the Group's turnover in FY2014 and FY2015 respectively. It is the board's opinion that the Company on-going operation is not in anyway affected by the asset impairment accounting exercise in question. Hence the issue of suspension of shares trading does not arise.

SGX'S QUERY 2:

The Company represented on page 11 that (i) the Company has terminated a non-binding framework sales and purchase agreement announced on 15 June 2015 to acquire 13.6% interest in 南德克里有限公司; and (ii) as at 31 December 2015 the Company missed the payment of one installment of the syndicated loans of RMB 28.3 million.

In this regard, please confirm as to whether immediate announcements was required under Listing Rule 704(17), 704(22) & Paragraph 8 of Appendix 7.1.

COMPANY'S RESPONSE TO QUERY 2:

On 15 June 2015, the Company entered into a non-binding Framework Sales and Purchase Agreement ("Agreement") with 三山源有限公司 and Zhang Daofu, for the proposed acquisition of 13.61% of the issued and paid up share capital of 南德里克有限公司. The Company made related announcement immediately according to Listing Rule 704(17). According to the Agreement, both parties have also agreed to enter into the sale and purchase implementation agreement and a shareholders' agreement (collectively, the Implementation Agreements) within one month from the date of the Framework Agreement and the Company would release announcement immediately after signing the Implementation Agreements. However, as the Company was not able to obtain full satisfactory due diligence information subsequently, both parties mutually agreed to terminate the non-binding Framework Sales and Purchase Agreement in January 2016. Although the Agreement is non-binding and no Implementation Agreement was signed, an announcement on the termination should have been made immediately. This termination was made known to the Independent Directors on 27 February 2016, two days before the announcement of the results on 29 February 2016. The Board did discuss on 27 February 2016 for the need of an immediate announcement of the termination and informed the Financial Controller as such. Since its initial public offering, the company has never failed to comply with Listing Rule 704(17) & Paragraph 8 of Appendix 7.1.

As at 31 December 2015, the Company missed the payment of one installment of the syndicated loans of RMB 28.3 million. Inter alia, prevailing exchange constraint has also contributed to the difficulty in effecting the US$ denominated loan repayment which the syndicating banks understand. Accordingly the banks did not trigger a demand notice let alone a declaration of loan default. Hence we did not see the need of making an immediate announcement.

The Company has been in negotiation with the syndicating banks with the view to restructuring the payment terms for the remaining amount of the syndicated loan. We are hopeful of reaching an amicable settlement with the banks within the next couple of weeks.

BY ORDER OF THE BOARD
Guan Lingxiang
Executive Chairman
14 March 2016