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 2017

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 24 August 2017 ("**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 2017 (each, a "**SGX Query**") as follows:

SGX Query 1:

We refer to the Company's response to SGX Query 1, which stated that "In compliance with Rule 704(18)(c) and after the receipt of approval from Shareholders for the cessation of the existing business, the Audit Committee will commission a valuation of the real estate conducted by an accredited reputable valuer under international valuation standards or a valuer accredited by Singapore Institute of Surveyors and Valuers who have expertise in valuation of similar properties in the relevant segment".

For shareholders to make an informed decision on the proposed cessation and disposal of the Group's existing business, the valuation of the existing business and details of the proposed disposal are to be disclosed in the circular to shareholders, and not after the receipt of shareholders' approval. The valuation must be conducted by an accredited reputable valuer under international valuation standards for real estate properties. Please confirm that this will be done.

Company's Response to SGX Query 1

The Company confirms that it will engage an accredited reputable valuer under international valuation standards for real estate properties to value the existing business of the Group, and the valuation and details of the proposed disposal will be disclosed in the circular to shareholders with respect to the resolution for the proposed cessation of the Group's existing business.

SGX Query 2:

We refer to the Company's further response to SGX Query 1 & 2, which stated that "We understand that on a case by case basis, a buyer may submit an application to the government for the transfer of the Land Use Rights. However, it would not be prudent for the Company to assume that the Land Use Rights are freely transferrable, henceforth the decision for the write off".

a) Please elaborate on why "it would not be prudent for the Company to assume that the Land Use Rights are freely transferrable".

b) Given that there is a possibility that the government may approve a transfer of the Land Use Rights on a case by case basis, what actions did the Board and management undertake to recover the amounts of the Land Use Rights prior to the write-off?

c) How was the write-off in the interests of the Company and minority shareholders?

Company's Response to SGX Query 2

The Company's financial statements are properly drawn up in accordance with Financial Reporting Standards in Singapore (FRSs) issued by the Accounting Standards Council of Singapore. The write off is in accordance with FRS 36 & FRS 16, whereby the expected future cash flows from the use of such assets cannot generate sufficient cash to cover its book value.

With the proposed cessation of the existing business, in accordance with FRS 36 & FRS 16 and taking in the view of our Auditor, a test for recoverability was performed to the carrying value of the assets. As the test for recoverability identifies the impairment, the asset's fair value is measured relying primarily on the discounted cash flow methodology.

Furthermore, the business has been suffering losses for the past two years; As stated in the 2Q2017 announcement Section 8(b)(iii), the operating entity resorted to requesting advances from the director Mr. Ting Chun Yuen for working capital to continue operations. In other words, this business needs new capital to remain in operations and it generates negative cash flows.

The Company is in no position to continue funding a loss-making entity and therefore the management believes it is in the best interest of the company and its shareholders that it ceases operations in this existing business.

In light of the proposed cessation of the existing business and the non-transferable nature of the land use rights, there is unlikely any recovery in this area which further provides the basis of the impairment (write off).

As such, the property, plant and equipment (the building) of RMB 14.7 million which sits on the non-transferable land is also deemed to be unrecoverable and henceforth the basis of the impairment (write off) in 2Q2017.

Furthermore, we do not have any purview over the decisions made by the authorities in relation to the approval of the transfer of the Land Use Right. In the interest of the Shareholders and the Company, the board took a more conservative approach to assume that the Land Use Rights are not freely transferrable. As per the conditions set out above, the Land Use Rights and building were written off in accordance with FRS 36 & FRS 16.

SGX Query 3:

We refer to the Company's further response to SGX Query 5 & 6, which stated that "The auditor's view was that the Company should perform the test of recoverability before proceeding with the specific write offs in respect of the Land Use Rights and Building".

a) Please elaborate on the actions/steps that management had undertaken to test the recoverability of the Land Use Rights and Building before fully writing off the value of these assets to NIL.

b) Is the Audit Committee satisfied with the actions/steps undertaken by management in the test for recoverability and veracity of the write-offs? Please provide the bases for the Audit Committee's opinion and disclose the steps taken by the Audit Committee to verify the write-offs.

Company's Response to SGX Query 3

The Company's financial statements are properly drawn up in accordance with Financial Reporting Standards in Singapore (FRSs) issued by the Accounting Standards Council of Singapore. The write off is in accordance with FRS 36 & FRS 16, whereby the expected future cash flows from the use of such assets cannot generate sufficient cash to cover its book value.

As reported in the group's FY2015 and FY2016 Annual Report, the Group has land use rights over certain plots of land in the PRC. The land use rights were acquired in prior years under the name of the subsidiaries - Zhihe (Fujian) Technology Co., Ltd. and Quanzhou Yixiang Textile Co., Ltd., are located at Western Section, Qingmeng Zone, Economy and Technology Development Zone, Quanzhou City, Fujian Province, the PRC respectively.

The land use rights are not transferable and have a remaining tenure of 38 to 44 years as at 31 December 2016.

In the Company's announcement dated 13 July 2017, the Directors have proposed the cessation of the existing business. The Company will be convening an extraordinary general meeting to seek shareholders' approval for the same.

With the proposed cessation of the existing business, in accordance with FRS 36 & FRS 16 and taking in the view of our Auditor, a test for recoverability was performed to the carrying value of the assets. As the test for recoverability identifies the impairment, the asset's fair value is measured relying primarily on the discounted cash flow methodology.

Furthermore, the business has been suffering losses for the past two years; As stated in the 2Q2017 announcement Section 8(b)(iii), the operating entity resorted to requesting advances from the director Mr. Ting Chun Yuen for working capital to continue operations. In other words, this business needs new capital to remain in operations and it generates negative cash flows.

The Company is in no position to continue funding a loss-making entity and therefore the management believes it is in the best interest of the company and its shareholders that it ceases operations in this existing business.

In light of the proposed cessation of the existing business and the non-transferable nature of the land use rights, there is unlikely any recovery in this area which further provides the basis of the impairment (write off).

As such, the property, plant and equipment (the building) of RMB 14.7 million which sits on the non-transferable land is also deemed to be unrecoverable and henceforth the basis of the impairment (write off) in 2Q2017.

The said write off is in accordance with FRS 36 & FRS 16, whereby the expected future cash flows from the use of such assets cannot generate sufficient cash to cover its book value.

The Audit Committee confirms that it has reviewed the methodology, assumptions, veracity and reasonableness of the write offs.