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

Product Defect Claims

The Board of Directors ("**Board**") of Ziwo Holdings Ltd. ("**Company**" and together with its subsidiaries, the "**Group**") refers to the announcements made by the Company on 14 August 2015 and 20 August 2015 (collectively, the "**Previous Announcements**") and wishes to inform that, apart from the compensation settlement reached with Guoyao Technology Co., Ltd ("**Guoyao**") as disclosed in the Previous Announcements, the subsidiary, Zhihe (Fujian) Technology Co., Ltd, ("**Zhihe**") has also entered into separate compensation settlement agreements with 3 other companies over the sale of defective products arising from the same batch of defective 30D filament yarn materials previously sold to Guoyao. The details are as follows:

Company	Compensation Amount (RMB)	Date of Agreements	Contribution to the Company's revenue for the past 3 years	Details of Customer	Legal Representative
Jinjiang Dayi Textile Manufacturing Co., Ltd	22,650,000	Sales Contract dated: 1) 3/1/2015 2) 1/3/2015 3) 6/3/2015 4) 28/3/2015 Compensation Agreement: - 25/09/2015	Approx Rmb 2.7 million (4.6%) in FY2013, Rmb 0.9 million (1.9%) in FY2014 and Rmb 1.9 million (9.9%) in FY2015 to our revenue from Yarn Segment. It contributed 1.4% in FY2013, 0.5% in FY2014 and 3.3% in FY2015 to the Group's revenue.	Jinjiang Dayi was incorporated in 2005. Its principal activities are the production of sandwich mesh products and fibre. Its principal place of manufacturing is located in Jinjiang City with offices in Guangzhou. The customer is a major customer for our 30D filament yarn business.	Mr Cai Jincheng (Not related to the Chairman and CEO of the Group, Mr Ting Chun Yuen and to the other Directors of the Group.
Xuri Dongsheng Textile Manufacturing Co., Ltd	38,300,000	Sales Contract dated: 1) 27/12/2014 2) 26/1/2015 3) 28/2/2015 4) 28/3/2015 Compensation Agreement - 26/09/2015	Approx Rmb 6.1 million (10.7%) in FY2013, Rmb 3.3 million (6.8%) in FY2014 and Rmb 4.4 million (22.6%) in FY2015 to our revenue from Filament Yarn Segment. It contributed 3.1% in FY2013, 1.8% in FY2014 and 7.5% in FY2015 to the Group's revenue.	Xuri Dongsheng was incorporated in 2005 with registered capital of Rmb 30 million. Its principal activities are the production of knitted fabrics and warp mesh materials. Its principal place of operation is at Jinjiang City, Chendai Town. The customer is a major customer for our 30D filament yarn business.	Mr Ding Shijun (Not related to the Chairman and CEO of the Group, Mr Ting Chun Yuen and to the other Directors of the Group.
Jinjiang Sanjing Textile Manufacturing Co., Ltd	34,600,000	Sales Contract dated: 1) 5/1/2015 2) 3/3/2015 3) 28/3/2015 Compensation Agreement - 26/9/2015	Approx Rmb 4.2 million (7.4%) in FY2013, Rmb 3.7 million (7.5%) in FY2014 and Rmb 1.9 million (9.4%) in FY2015 to our revenue from Yarn Segment. It contributed 2.2% in FY2013, 2.0% in FY2014 and 3.1% in FY2015 to the Group's revenue.	Jinjiang Sanjing was incorporated in 2005. Its principal activities are the production of various types of warp mesh materials and fibre. Its principal place of operation is at Jinjiang City, Wuli Industrial Area. The customer is a major customer for our 30D filament yarn business.	Mr He Chuncheng (Not related to the Chairman and CEO of the Group, Mr Ting Chun Yuen and to the other Directors of the Group.

Similar to Guoyao's sales contract, the sales contracts with the above 3 companies stipulated that the product quality should adhere to the standards required by the customer; to be delivered to the designated warehouse; discrepancy in weight should not exceed 3% and any failure to fulfil the contractual agreement will result in non-fulfilment penalty of not less than 30% and any other losses incurred. The customers have not paid for the defective products once they were aware of it.

Zhihe has commissioned an independent test on the products sold to the above customers with the National Textile and Garment Quality Supervision Testing Center in Fujian and the Fujian Provincial Fibre Inspection Bureau. The test report confirmed that the products sold to the customer were defective. Our legal counsel, Fujian Jinxian Law Firm's opinion is that Zhihe has seriously breached its contractual obligations under the sales contracts, and is therefore liable under PRC contract law to compensate the customers for any losses, including consequential damages suffered by them as a result of using the defective products sold by the Company to these customers. Based on the advice of our legal counsel who has recommended that Zhihe negotiate a settlement with the customers, and in order to reduce negative publicity and attention from any potential court proceedings, as well as to avoid incurring further costs and expenses arising from litigation, the Group has opted for an out-of-court settlement with the customers.

As disclosed in the Previous Announcements, Fujian Jinxian Law Firm has extensive experience in corporate and commercial disputes. They have represented clients in various industries, government agencies, co-operatives and societies and private institutions and enterprises. In 2014, they were awarded "AAAA Trustworthy Law Firm".

The Board has reviewed the relevant supporting documents, including the legal opinion from Fujian Jinxian Law Firm. Taking into consideration the legal opinion of our legal counsel, the Board is of the view that there are sufficient grounds for the claims.

The Board will be appointing our auditor, RT LLP, to conduct an audit of the Group's financials for the financial period ending 30 September 2015 in order to assess whether the Company is able to continue as a going concern in view of the compensation claims and the deteriorating business condition in PRC. The Group does not expect further significant claims arising from the sale of these defective products.

The Board will keep its shareholders informed of any significant developments in connection with the compensation claims and will make further announcement as and when appropriate.

BY ORDER OF THE BOARD

Ting Chun Yuen
Executive Chairman and Chief Executive Officer
6 October 2015