

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

RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON THE PRODUCT DEFECT CLAIMS

The Board of Directors (the “**Board**”) of Ziwo Holdings Ltd. (the “**Company**”, and together with its subsidiaries, collectively the “**Group**”) refers to the Company’s product defect claims announcement released on 6 October 2015. The Board would like to respond to the following queries raised by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 14 October 2015 (each, a “**SGX Query**”) as follows:

SGX Query 1

Please provide an update on the Company’s prospects.

Company’s Response to SGX Query

Due to the current weak business climate caused by faltering global and domestic demands, the Group is experiencing the effects of the persistent slowdown in the manufacturing industry in China. Our previous product, 30D Filament Yarn, was made unexpectedly obsolete and replaced by warped yarn during the year. As previously announced, the production line for Filament Yarn has since been closed. Sandwich mesh is experiencing difficulties in securing orders and production has slowed to their lowest rate since inception. Due to the slowdown in demand for consumers and lifestyle products, coupled with competition from cheaper and more varied alternatives, orders for SBR foam have tapered down in recent months as well. Group revenue and gross profit margin are expected to be further impacted.

The Company has been actively looking for other business opportunities, including diversification, viable ventures or collaborative opportunities to expand its revenue base.

SGX Query 2

We note that the Board will be appointing the Company’s 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. Please explain why the Board of Directors is uncertain if the Company may be unable to operate as a going concern when the total claim of RMB 133,650,000 is less than the Group’s net asset value of RMB 468,489,000.

Company’s Response to SGX Query

The Board noted that the total claim amount is less than the Group’s net asset value. However, in arriving at its position as disclosed in the Company’s announcement on 6 October 2015, the Board deemed it prudent to also take into consideration the degree of uncertainty associated with deteriorating business conditions in the PRC and the sharp contraction in the manufacturing sector when assessing whether the Company is able to continue as a going concern, and not merely the amount of the compensation claims.

SGX Query 3

Please quantify the impact of the claims on the Company's profit and loss statement and balance sheet statement and explain.

Company's Response to SGX Query

The Group will take a one-time expense charge for product defect claims:-

1. For the 3-month period from 1 July 2015 to 30 September 2015:

- Dr Product Defect Claims RMB 95,550,000 (Profit and Loss)
- Cr Bank RMB 95,550,000 (Balance Sheet)

2. For the 9-month period ending 30 September 2015:

- Dr Product Defect Claims RMB 133,650,000 (Profit and Loss)
- Cr Bank RMB 133,650,000 (Balance Sheet)

SGX Query 4

Please provide the timeline for the audit by RT LLP.

Company's Response to SGX Query

The Company plans to commence the audit by RT LLP by next week, and expect the audit to be completed by 6 November 2015.

BY ORDER OF THE BOARD

Ting Chun Yuen
Executive Chairman and Chief Executive Director
15 October 2015