

FULL APEX (HOLDINGS) LIMITED
(Incorporated in Bermuda with limited liability)
(Company Registration Number 31906)

RESPONSE TO SGX'S QUERIES 2015 ANNUAL REPORT

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 25 April 2016:

SGX'S QUERY 1:

Listing Rule 1303 (3) states that where the issuer is unable to continue as a going concern or unable to demonstrate to the Exchange and its shareholders that it is able to do so, trading of the listed securities of the issuer may be suspended.

We note the emphasis of matter raised by independent auditor about the Company's ability to continue as a going concern on page 34.

In this regard, please disclose the Board's opinions as to whether sufficient information has been disclosed by the Company to enable trading to continue in an orderly manner.

COMPANY'S RESPONSE TO QUERY 1:

As disclosed in the note 2.2 of the financial statement, the directors of the Company considered the operations of the Group and the Company can continue as going concerns notwithstanding that:

1. The Group incurred a net loss of approximately RMB266,829,000 for the year ended 31 December 2015;
2. One installment of the Group's syndicated loans of US\$4,600,000 (equivalent to approximately RMB28,345,000) and the interest expenses of US\$292,000 (equivalent to approximately RMB1,799,000) which were due and payable on 20 December 2015 remained overdue as at 31 December 2015 and up to the date of approval of these financial statements. Another part of the syndicated loans of US\$9,200,000 (equivalent to approximately RMB56,690,000) are due for repayment within the next twelve months from 31 December 2015. As a result of the default, the banks have the rights to serve a notice that the remaining syndicated loans of principal amount of US\$32,200,000 (equivalent to approximately RMB198,416,000), which includes US\$9,200,000 (equivalent to approximately RMB56,690,000), as at 31 December 2015 have become immediately due and payable;

3. One installment of the Group's term loans from a bank in Hong Kong of US\$700,000 (equivalent to approximately RMB4,313,000) as at 31 December 2015 which was due and payable on 28 February 2016 remained overdue up to the date of approval of these financial statements. The remaining principal amount of the term loans was US\$2,800,000 (equivalent to approximately RMB17,254,000) as at 31 December 2015. Pursuant to the banking facility letter, the bank has the rights at any time to demand immediate repayment of the term loans;
4. The other interest-bearing borrowings of the Group of RMB291,712,000 from banks in the PRC and Hong Kong as at 31 December 2015 are due for repayment within the next twelve months from 31 December 2015. As a result, the Group would need financing to settle the balances of the other interest-bearing borrowings when they are due for repayment within the next twelve months from 31 December 2015; and
5. Included in the other interest-bearing borrowings of the Group explained in (4) above, loans from two banks in Hong Kong of approximately RMB20,495,000 were due and payable subsequent to 31 December 2015.

These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as going concerns, and hence, its ability to realise assets and discharge its liabilities in the normal course of business. Nevertheless, the directors of the Company are of the view that the Group and the Company will have sufficient working capital to finance its operations in the next twelve months from 31 December 2015, after taking into consideration of the following:

1. The Group continues to implement measures to tighten cost controls over various operating expenses in order to improve its financial performance and to generate positive cash inflow from its operations in the future;
2. The Group is actively negotiating with the bankers to remedy the defaults and to restructure the payment terms for the remaining amount of the syndicated loans and other bank loans. The directors of the Company are optimistic in reaching agreement with the bankers;
3. The Group is actively negotiating with the bankers in the PRC to seek for renewal of the existing interest-bearing borrowings and to obtain new banking facilities. The directors of the Company have evaluated all the relevant facts available to them and are of the opinion that there are good track records or relationship with the relevant banks which enhance the Group's ability to renew the existing interest-bearing borrowings upon expiry. Subsequent to 31 December 2015, the Group obtained new banking facilities of RMB130,000,000 from a bank in the PRC for a period from 2 February 2016 to 2 February 2017. Certain prepaid land lease payments (i.e. leasehold land) and buildings of the Group with net carrying amount of approximately RMB63,729,000 and RMB96,283,000 as at 31 December 2015 respectively, were pledged to the bank for the new banking facilities subsequently. The

directors of the Company are of the opinion that it is likely that the bank would renew such banking facilities upon expiry; and

4. As at 31 December 2015, the Group had property, plant and equipment and prepaid land lease payments (i.e. leasehold land) located in the PRC with net carrying amount of approximately RMB802,119,000 and RMB85,492,000 respectively, that are available for the Group to realise a significant amount of cash upon disposal or to use them as securities for possible future bank borrowings.

Therefore, we consider sufficient information has been disclosed by the Company to enable trading to continue in an orderly manner. We will keep monitoring the liquidity of the company and disclose to shareholders if necessary.

SGX'S QUERY 2:

Guideline 11.3 of the Code of Corporate Governance 2012 (the "Code") states that the Board should comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems, in the company's Annual Report. (emphasis added).

We note the Board's comment on the adequacy and effectiveness of the internal controls of the Company, including financial, operational, compliance risk.

As required under Listing Rule 710, please make disclosure the Board's comment on the adequacy and effectiveness of the internal controls, including information technology controls and risk management systems as recommended in the Code; or otherwise provide an explanation for any deviation from the recommendation.

COMPANY'S RESPONSE TO QUERY 2:

Based on work performed by the internal and external auditors, reviews conducted by Management, the Board and the Board Committees as well as assurance received from Management, the AC and the Board are of the opinion that the Group's internal controls, addressing financial, operational, compliance risks and information technology controls, and risk management systems, were adequate and effective as at 31 December 2015.

The Board will, on a continuing basis, endeavour to further enhance and improve the Group's system of internal controls and risk management policies.

BY ORDER OF THE BOARD

Guan Lingxiang
Executive Chairman
26 April 2016