

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

**RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING
LIMITED ON THE RESULTS ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 30
SEPTEMBER 2016**

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 14 November 2016. The Board would like to respond to the following queries raised by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 21 November 2016 (each, a “**SGX Query**”) as follows:

SGX Query 1

We note that ‘Revenue’ has decreased by 29.6%. What is the capacity utilization of the Company’s machines.

Company’s Response to SGX Query

The capacity utilization rate for SBR is approximately 21%, and for high-density foamed materials is approximately 33% on average in 3Q 2016.

SGX Query 2

We note in the Company’s 8 September 2016 announcement that “the deposit was paid to Beijing Chonglee Machinery Engineering Co., Ltd (“CTAMP”) for the construction of the production line and Changzhou Diba Textile Machinery Co., Ltd (“CDTM”) for the acquisition of the machine”. Please provide an update on this and whether the Company has delivered the machines. How has capacity been affected. Provide status of construction of new plant.

Company’s Response to SGX Query

As disclosed in the 3Q2016 results announcement on page 13, yarn warping machinery for which the Company paid a deposit previously (amounting to RMB 5.8 million) has been delivered to our factory as at 3Q2016. The machine was purchased from Changzhou Diba Textile Machinery Co., Ltd.

As disclosed and updated in the 3Q2016 results announcement on page 14, included in other receivables is a deposit amounting to RMB 28.3 million brought forward from 2015 for the purchase of new equipment from Beijing Chonglee Machinery Engineering Co., Ltd. The installation of the new equipment is expected to be carried out in the second half of 2017.

As disclosed in the response to queries from the SGX on the 2Q2016 results announcement released on 8 September 2016 (“**8 Sep 2016 Response**”), “the addition of these machinery will create new capacity of approximately 500 tonnes per month for production of new products.” Currently, there is no immediate impact to our capacity for our 3Q results announcement.

The fabrication of the new production machinery is progressing as scheduled.

SGX Query 3

What is the reason for the significant decrease in cash from RMB35.88 million at 31 December 2015 to RMB2.763 million at 30 September 2016?

Company's Response to SGX Query

The Company has sustained losses for the financial period ended 30 September 2016. These losses, coupled with the slow collection of our trade receivables, resulted in a significant decrease in our cash holdings.

SGX Query 4

What new product does the Company have in mind at the acquisition of the new machines to replace 3D Filament Yarn?

Company's Response to SGX Query

The Company intends to manufacture superior quality polyester mother yarn or multifilament. This product has found acceptance in the market and has rendered 30D terylene filament yarn obsolete.

SGX Query 5

We note that 'Trade and other receivables' has increased from RMB66.923 million to RMB69.394 million. Please provide the following information:-

- (a) Provide breakdown and aging schedule
- (b) Elaborate on the nature of other receivable and the underlying transaction
- (c) Explain reason for increase of 'Trade and other receivables' to RMB69.394 million from RMB66.923 million when Revenue decreased 29.6%.
- (d) Explain why customers are not paying for their purchase.
- (e) Disclose identity of customers. Are they still in business?
- (f) On 8 September 2016, Company stated that all customers must pay for their purchase and legal proceedings will be taken to pursue the claims. Please update.
- (g) Is Company still trading with customers that have not paid up?

Company's Response to SGX Query

(a)

	As at	As at
	30-Sep-16	31-Dec-15
	RMB'000	RMB'000
Trade receivable (Net of impairment)	38,535	33,744
Other receivebles	2,606	1,739
Advances to suppliers	28,253	31,440
	69,394	66,923

Trade receivables	30 days	60 days	90 days	120 days	150 days	180 days	7-12 mths
38,535	3,982	4,115	4,522	4,314	4,208	4,663	17,394

- (b) Other receivables are miscellaneous tax receivables - net. Advances to suppliers are advance payment to suppliers for the construction of new production line.
- (c) The increase in trade receivables was mainly due to longer repayment period from our customers.
- (d) All customers have to pay for their purchases. Company typically extend credit terms to customers. However, our customers have been traditionally slow pay-masters and the ongoing slow-down in business activity has prolonged their repayment period.

(e)

		RMB'000	
1	东莞市桦辉运动用品有限公司	3,416	8.9%
2	东莞市益路华实业有限公司	2,139	5.6%
3	福建艾力艾三路鞋业有限公司	2,026	5.3%
4	东莞市创扬鞋材有限公司	1,701	4.4%
5	东莞市方信实业有限公司	1,603	4.2%
		10,885	28.2%

The top 5 material customers are disclosed as above. We believe they are still in business.

- (f) In the 8 Sep 2016 Response, we have disclosed as follows: "Company has taken active steps to collect outstanding debts. The Sales Manager and/or General Manager visit the customers frequently to follow up on the payments. Long outstanding debts would be escalated to CEO's attention and he will proceed to discuss and negotiate a payment schedule with the Customer or owner directly. If necessary, legal proceedings will be taken to pursue the claims."

A total amount of approximately RMB 20.4 million, representing 36.2% of the total outstanding receivables for FY 2015 had been collected as at 30 September 2016. The Company will continue to take an active approach to recover the remaining outstanding debts during this challenging period.

- (g) The Company does not trade with customers that have demonstrated that they are no longer able to fulfill their contractual obligation for the foreseeable future.

SGX Query 6

We note that 'Revenue' has decreased by 29.6%. We note on page 9 that the Group had also reduced selling price during the quarter as part of effort to improve inventory turnover. How has this reduction helped improved inventory turnover?

Company's Response to SGX Query

The reduction in our selling prices is to align our products to market prices and ensure our prices remain competitive. This has allowed us to clear older stock holdings at the same time and improve our inventory management.

SGX Query 7

We note on page 13 that the impairment change for trade receivables are in accordance with the Group's policy for long outstanding amounts and are consistent with prior financial periods. Please provide the following information:-

- (a) Disclose these policies and elaborate why Company is unable to collect its significant debts.
- (b) What processes and procedures are put in place by the Board of Directors to safeguard the interest of the Company and shareholders to ensure that sales are delivered only to customers who pay and are able to pay for their purchases?

Company's Response to SGX Query

- (a) As disclosed in the 8 Sep 2016 Response, trade receivables outstanding for more than 12 months are provided in full. Trade receivables outstanding for more than 6 months and not more than 12 months are provided in half.

Please also see our response in paragraph 5(d) above.

- (b) The Board of Directors undertakes a vigorous review of the trade receivables quarterly, by monitoring the rate of collection from customers who in particular have large accounts receivables outstanding for some time, and whether they have been making part payments periodically. The Board also raised questions where certain accounts receivables have been outstanding for an extended period of time, and whether customers with significant outstandings are major customers of the Company and if the Company is still supplying goods to them. Management is required to update the Board on the actions taken by the Company on specific debtors, including whether visits have been made to these debtors to chase up on a debt or to ascertain whether they are still carrying on business. Management is also reminded by the Board to step up collection efforts during this downturn and be vigilant if any of its larger customers may be facing financial difficulties.

SGX Query 8

We note on page 14 on “smaller quantity of 30D filament yarn” phased out since last year. Please quantify how much inventory of this.

Company’s Response to SGX Query

Inventory for 30D filament yarn amounted to approximately RMB 0.3 million as at 3Q 2016.

SGX Query 9

We note on page 14 that the “installation of the new equipment is expected to be in the second half of 2017”. Please explain why so late when deposit paid in last quarter 2015 and acquisition was approved by the Board of Directors and Board of Directors is of the view that the purchase of these new equipment is precisely due to the acute decrease in sales, the Company decided to purchase new equipment to manufacture new products to replace the 3D Filament Yarn products which have ceased production.

Company’s Response to SGX Query

The new equipment are customized production machinery. The designing to fabrication to installation of the production machinery takes time, and the supplier will not undertake any design and fabrication work unless substantial down payment has been made. The timeframe given is therefore a conservative estimation. The supplier, Beijing Chonglee Machinery Engineering Co., Ltd, is a class A qualified engineering design unit approved by the Ministry of Construction of China, and is a company controlled directly by the China Textile Academy, with more than 40 years of experience in designing and manufacturing complete chemical fiber production equipment.

SGX Query 10

We note on page 14 on cash used in investing activities pertains to the purchase of equipment which amounted to RMB1.3 million 9M2016. Why is Company still purchasing equipment, what type of products and provide details of capacity of production.

Company’s Response to SGX Query

As explained in the 8 Sep 2016 Response, “The Company is purchasing new equipment because it is still in operation and the new equipment purchased is to replace old machinery and maintain the quality of our products. The equipment purchased is a mixer for our SBR and foamed products. The replacement of the mixer is not expected to significantly change the existing production capacity.”

BY ORDER OF THE BOARD

Ting Chun Yuen
Executive Chairman and Chief Executive Director
23 November 2016