

**CHINA GAOXIAN FIBRE FABRIC HOLDINGS LTD.**

(中国高纤控股有限公司)

(Company Registration No. 200817812K)

(Incorporated in Singapore on 9 September 2008)

**FURTHER INFORMATION ON THE COMPANY'S ANNUAL REPORT IN RESPECT OF FINANCIAL YEAR ENDED 31 DECEMBER 2017**

Unless otherwise defined, all capitalised terms used in this announcement shall bear the same meanings as ascribed to them in the Company's Annual Report in respect of financial year ended 31 December 2017 ("FY2017") which was released to the Singapore Exchange Securities Trading Limited ("SGX-ST") on 12 April 2018 ("Annual Report 2017").

The Board of Directors (the "Board") of China Gaoxian Fibre Fabric Holdings Ltd. (the "Company" and together with its subsidiaries, the "Group") refers to the Company's Annual Report 2017 and wishes to provide further information as follows:-

**SGX-ST's questions:-**

1. Please explain material deviations between the Company's Full Year Results and Annual Report for FY2017 in the Company's cash flow statement, in particular, "Depreciation of property, plant and equipment", "Reversal of impairment of trade receivables".

**Company's response:-****Consolidated Statement of Cash flows for FY2017**

| The Group  | Per Unaudited Q4 SGX Announcement on 1 March 2018<br>RMB'000 | Per Audited FY2017 FS<br>RMB'000 | Variance   |       | Explanation   |
|--|--|----------------------------------|------------|-------|---|
|  |  |                                  | RMB'000    | %     |   |
| Depreciation of property, plant and equipment            | 153,337  | 159,142                          | (5,805)    | 3.8%  | Classification error reported in the unaudited Q4 SGX Announcement      |
| Reversal of impairment of trade receivables              | 29,994   | (29,994)                         | 59,988     | 200%  | Incorrect sign convention used in the unaudited Q4 SGX Announcement     |
| Working capital changes                                  |  |                                  |            |       |   |
| - Changes in trade and other receivables and prepayments | 25,714   | 85,161                           | (59,447)   | -231% | Reclassification adjustments following conclusion of the year-end audit |
| - Changes in trade and other payables                    | (49,714)   | (62,440)                         | 12,726     | -26%  | Reclassification adjustments following conclusion of the year-end audit |
| Interest paid  | (88,168)   | (81,275)                         | (6,893)    | 8%    | Reclassification adjustments following conclusion of the year-end audit |
| <b>Net impact</b>  |  |                                  | <b>569</b> |       |   |

2. For the purpose of determining if Rule 1303(3)(c) should apply, please provide the following information:

- (i) the Board's opinion if the Company will be able to operate as going concern and basis for the Board's view; and
- (ii) the Board's confirmation that all material disclosures have been provided for trading of the Company's shares to continue.

**Company's response:-**

(i)

Having considered the comments received from the Management that they have a reasonable expectation that the Group and the Company has adequate resources to continue in operational existence for the foreseeable future, the Directors are of the view that the going concern assumption is appropriate for the preparation of these financial statements as the directors believe that:

- (a) The Group will be able to generate sufficient operating cash flows from the full production of Huaxiang China plant to fund its working capital needs;
- (b) The commencement of the Framework Supply Chain Cooperation Agreement with Zhejiang Materials Industry Chemical Group Co., Ltd. ("Zhejiang Materials") since 1 December 2016 has allowed management to draw raw materials directly from Zhejiang Materials under a "Just-in-Time" inventory model. The Group will no longer need to utilise its "free cash" to purchase raw materials for production, which is currently on a cash on delivery basis. The surplus cash can be used to repay the banks' and third parties' borrowings, thereby reducing the high interest expenses; and
- (c) One of the shareholders continues to undertake and provide the necessary financial support to the Group and the Company so that the Group and the Company are able to pay its debts as and when they fall due. In the event of any shortfall in working capital requirements for the next twelve months, management believes that the Group and the Company will have the ability to obtain further short-term financing from financial and non-financial institutions and third parties (collectively known as the "Lenders") since these loans will continue to be secured by guarantees from that shareholder. In FY2017, the Group was able to obtain fresh funding amounting to RMB 1,208 million from these financial and non-financial institutions to settle the Group's borrowings of RMB 1,240 million owing to these financial and non-financial institutions. The loans due to these lenders amounted to RMB 1,662 million as at 31 December 2017 (2016 - RMB 1,694 million) and were secured by personal guarantees from that shareholder.

(ii)

Having considered the confirmations received from the Management and the Directors, the Board confirms that that all material disclosures have been provided for trading of the Company's shares to continue.

**BY ORDER OF THE BOARD**

Tham Wan Loong, Jerome  
Executive Director

11 May 2018