CHINA GAOXIAN FIBRE FABRIC HOLDINGS LTD.
(中国高纤控股有限公司)
("**Company**")
(Company Registration No. 200817812K)
(Incorporated in Singapore on 9 September 2008)

FURTHER INFORMATION ON THE COMPANY'S FOURTH QUARTER RESULTS ANNOUNCEMENT DATED 1 MARCH 2017

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*Unless otherwise defined, all capitalised terms used in this announcement shall bear the same meanings as ascribed to them in the Company's Fourth Quarter Results for the financial period ended 31 December 2016 which was released to the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 1 March 2017 ("**4QFY2016 Results Announcement**").*

The Board of Directors ("**Board**") of China Gaoxian Fibre Fabric Holdings Ltd. (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the Company's 4QFY2016 Results Announcement and wishes to provide further information as follows:-

SGX-ST's questions:-

1. ***Please disclose the reasons for the significant increase in "Depreciation of property, plant and equipment ("PPE") from RMB 38.7 million in FY2015 to RMB 149.7 million, noting that PPE acquired in FY2016 amounted to RMB 51.6 million. Please elaborate on the depreciation policy and how the increase of RMB 111 million was derived.***

Company's response:-

There was no change to the depreciation policy of the Group's property, plant and equipment during the financial year ended 31 December 2016 ("FY2016").

The significant increase in "Depreciation of property, plant and equipment" from RMB 38.7 million in FY2015 to RMB 149.7 million in FY2016 was mainly due to the full year impact of depreciation expense of the property, plant and equipment of Huaxiang (China) Premium Fibre Co., Ltd, following the completion of the testing phases of the various production lines (DTY, FDY, POY and PET) in December 2015. In line with the accounting standards, these assets were deemed to be available and ready for use from December 2015 and depreciation commenced with effect from December 2015. This was already disclosed in Note 5(j) in page 70 of the 2015 Annual Report.

The breakdown of depreciation expense by entity is as follows:-

	FY2016 (RMB'000)	**FY2015 (RMB'000)**
Huaxiang (China) Premium Fibre Co., Ltd	121,201	7,773
Zhejiang Huagang Polyester Industrial Co., Ltd	12,792	13,332
Fujian New Huawei Fibre Dyeing Co., Ltd	14,819	16,961
Huzhou Huaxiang Property Co., Ltd	934	616
Total	**149,746**	**38,682**

2. ***Please explain why gross margins for 4QFY2016 had decreased to 1.58%, from 3.41% in 4QFY2015, when it was disclosed that the gross profit for 4QFY2016 was "mainly due to higher products selling price and higher sales volume".***

Company's response:-

The decrease in average gross margin between the financial periods under review was due to different sale mix. In the fourth quarter of FY2016, the Group produced a variety of finished products, ranging from PET chips to POY, FDY and DTY following the resumption of production since 15 April 2016 while the Group's sales in the fourth quarter of FY2015 comprised primarily DTY products (representing 99.8% of total sales) which had a higher gross margin. The margins derived from the production and sales of PET chips, POY and FDY in Q4 FY 2016 were generally lower than those produced for DTY in the fourth quarter of FY2015.

3. ***Please provide a breakdown and further details of the "Advance to third parties (non-trade) of RMB 40.7 million".***

Company's response:-

The "advance to third parties (non-trade) of RMB 40.7 million" mainly comprised:

(i) non-trade amount extended to a third party supplier of RMB 34.7 million; and
(ii) non-trade amount extended to a local authority of RMB 2.8 million.

4. ***Please disclose the identity of the shareholder to whom "Consultancy and guarantee fees" of RMB 25.3 million are due to. Please explain why the fees are so significant, including how the fees were calculated and the terms of the agreement(s).***

Company's response:-

Kindly refer to Section 9.8 of the Company's Circular dated 29 May 2013 where the Company has previously agreed to pay Mr. Cao Xiangbin a guarantee fee of 1% of the principal amount of the loan draw down for the New Project Finance at the time of drawdown; and in consideration for the Consultancy Services to be provided by Mr Cao to the Company, the Company will pay Mr Cao a remuneration of RMB20,000 per month in arrears, on the last day of each month ("Consultancy Fee"). The same guarantee fee is also applicable on all other Group's subsidiaries' loan drawdown guaranteed by Mr Cao after the date of the consultation agreement, pursuant to requests by the Company. The amount of guarantee and consultancy fees were disclosed under interested person transaction in Section F of the Corporate Governance Section in the Company's past Annual Reports. The accrued consultancy and guarantee fees payable to Mr. Cao Xiangbin for FY2014 and FY2015 is RMB25.3 million.

5. ***Please provide a breakdown and further details of the "Non trade amounts due to third parties of RMB 60.5 million".***

Company's response:-

The "Non-trade amounts due to third parties of RMB 60.5 million" mainly comprised:

(i) Non-trade amounts due to five 3rd parties' suppliers amounting to RMB 28.5 million (31 Dec 2015: RMB 5.2 million);

(ii) Non-trade advances extended by a shareholder Mr Cao of RMB 5.0 million (31 Dec 2015: RMB Nil). This amount was termed as non-trade amount due to a third party during 4Q2016 announcement; and

(iii) Non-trade amount due to a third party supplier in respect of the Huaxiang Project amounting to RMB 21.0 million (31 Dec 2015: RMB 24.5 million).

6. ***We note that the Company has a negative working capital of RMB 1,904.7 million. For the purpose of determining if Rule 1303(3)(c) should apply, please provide the following information:-***
(a) the Board's opinion if the Company will be able to operate as going concern and basis for the Board's view; and
(b) the Board's confirmation that all material disclosures have been provided for trading of the Company's shares to continue.

<u>Company's response:-</u>

The Board believes that the Group and the Company will have sufficient resources to continue in operation as a going concern, after taking into consideration the following:

(a) As at 31 December 2016, the carrying amount of the Group's investment property – construction work-in-progress of 26-storey commercial and office building with two basements, was RMB 173.4 million (including land use rights of RMB 15.7 million).

As disclosed in FY2015 Annual Report (Page 71), on 7 April 2016, the Group received a Letter of Intent from the People's Government of Huzhou City that the letter has the intention to acquire the entire investment property at an estimated consideration of RMB 217.8 million based on RMB 4,200 per square metre. The independent professional valuers have accordingly approximated the estimated consideration of RMB 217.8 million to be its fair value in FY2015. The construction of the investment property has not been completed as at 2 December 2016. The Group intends to strategically dispose its investment property which is not related to its core business. Such proceeds will be used to provide working capital and repay borrowings. The Group wishes to stress that this is currently in an exploratory stage and updates would be provided to shareholders as and when there are material developments.

(b) The Management is currently negotiating with financial institutions to lower interest rates and amend the principal repayment schedules. The Management believe that the Group has good track records with financial institutions which enhance the Group's ability to continue and/or obtain new credit facilities to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future.

(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 non-financial institutions and third parties since the loans will continue to be secured by guarantees from the shareholder.

(d) As announced on 14 November 2016, the Group had resumed production on 15 April 2016 after the temporary cessation of production for the PET, FDY and POY production lines since 30 December 2015, and achieved a full production capacity level in the second quarter ended 30 June 2016 ("2QFY2016").

The Group's revenue for the financial year ended 31 December 2016 ("FY2016") increased by RMB 1,019.2 million or 693.9% to RMB 1,166.2 million from RMB 147.0 million for the financial year ended 31 December 2015 ("FY2015"). In terms of cash flow activities, the Group generated a net cash inflow of RMB 104.0 million from operating activities in FY2016 as compared to a net cash outflow of RMB 30.6 million in FY2015.

In addition, the Group has managed to reduce its net loss by 67.2% or RMB 529.4 million to RMB 257.6 million in FY2016 from RMB 787.0 million in FY2015. As a result of full production capacity in place, the continuing cost cutting measures for operational efficiency as well as streamlining the Group's processes with the view of making its business more competitive, the management believes that these initiatives will benefit the Group and greatly help towards a return to profitability.

(e) The Management has critically assessed the cash flow forecasts of the Group for the next twelve months and concluded that there will be sufficient cash flows and resources to allow the Group to continue its operations and meet its obligations for the foreseeable future.

(f) The Group is also exploring various equity and/or debt fund raising options to strengthen its financial position and/or to make acquisitions of new business or assets which could be injected into the Group to improve its financial performance. The Group wishes to stress that this is currently in an exploratory stage and updates would be provided to shareholders as and when there are material developments.

In addition, the Board confirms that, to best of their knowledge, all material disclosures have been provided for trading of the Company's shares to continue.

7. Please provide the "comparative information for the immediately preceding year" for the segmented revenue and results.

Company's response:-

The comparative information for the immediately preceding year has been disclosed in FY2015 Annual Report (Page 90), as follows:-

The Group 2015	**FDY RMB'000**	**DTY RMB'000**	**BY RMB'000**	**POY RMB'000**	**PET Chips RMB'000**	**Total RMB'000**
Revenue						
Sales to external customers	-	146,661	345	-	-	**147,006**
Results						
Segment gross profit/(loss)	-	2,375	(490)	-	-	**1,885**

BY ORDER OF THE BOARD

Tham Wan Loong, Jerome
Executive Director
26 April 2017