



China Gaoxian Fibre Fabric Holdings Ltd.

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**SGXNET ANNOUNCEMENT**  
**Unaudited Financial Statement and Dividend Announcement**  
**For the Financial Period ended 30 June 2016**

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**Explanatory notes:**

China Gaoxian Fibre Fabric Holdings Ltd. (the "Company") was admitted into the Main Board of SGX-ST on 18 September 2009.

The financial information disclosed in this announcement includes financial information provided by the management of the Company's principal subsidiaries, namely Zhejiang Huagang Polyester Industrial Co., Ltd ("HG"), Fujian New Huawei Fibre Dyeing Co., Ltd ("NHW") and Huaxiang (China) Premium Fibre Co., Ltd. ("HX").

On 20 April 2011, the Audit Committee appointed PricewaterhouseCoopers LLP as special auditors ("Special Auditors") to conduct a review into the financial affairs of the Group, including its cash, bank and account receivable balances, as well as capital expenditures of the Group incurred during the financial year ended 31 December 2010 ("FY2010") and the financial quarter ended 31 June 2011 ("1QFY2011").

The Special Auditors have released their findings and a copy of their Executive Summary was announced by the Company on 4 May, 2012. Although the Special Auditors have completed their review into the financial affairs of the Group, they were not able to obtain the bulk of the Group's accounting books and records for the period prior to 1 April 2011. Hence, the Special Auditors were not able to reconstruct the Group's accounts as at 31 June 2011 based on the limited information provided to them. In this regard, the Company has on 2 July 2012 obtained from SGX-ST its approval for waiver of Rule 705(2) of the Listing Manual of SGX-ST ("Listing Manual") in relation to the announcement of the Company's 1QFY2011 financial results.

The Company also wishes to highlight that the preparation of the comparative financial information for the for the 3 months ("2QFY2016") and half year ended 30 June 2016 ("1H FY2016") is subject to the Limitations set out in Item 5 of this announcement. In light of the above, the financial information disclosed in this announcement may be subject to further adjustments and revisions and the directors would like to advise shareholders to act with caution and take into consideration the Limitations when reviewing such financial information.

- 1(a) (i) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

Unaudited group income statement for the Second quarter ("2Q") and six months ("1H") ended 30 June 2016.

	30.06.16 RMB'000	Unaudited 2Q ended 30.06.15 RMB'000	Change %	30.06.16 RMB'000	Unaudited 1H ended 30.06.15 RMB'000	Change %
<b>Revenue</b>	265,450	43,409	511.5%	297,421	60,327	393.0%
Cost of sales	(303,649)	(42,464)	615.1%	(335,006)	(61,265)	446.8%
<b>Gross (loss)/profit</b>	(38,199)	945	-4142.2%	(37,585)	(938)	3906.9%
<b>Other items of income</b>						
Financial income	389	1,747	-77.7%	1,625	3,894	-58.3%
Other income	2,791	10,326	-73.0%	4,018	11,040	-63.6%
<b>Other items of expense</b>						
Selling and distribution expenses	(1,410)	(864)	63.2%	(1,780)	(1,290)	38.0%
General and administrative expenses	(8,158)	(32,423)	-74.8%	(57,018)	(56,523)	0.9%
Financial expense	(20,294)	(34,533)	-41.2%	(66,813)	(81,275)	-17.8%
<b>Loss before tax</b>	<b>(64,881)</b>	<b>(54,802)</b>	<b>18.4%</b>	<b>(157,553)</b>	<b>(125,092)</b>	<b>25.9%</b>
Income tax	-	-	N.M.	-	-	N.M.
<b>Net loss attributable to shareholders representing total comprehensive income for the period attributable to equity holders of the Company</b>	<b>(64,881)</b>	<b>(54,802)</b>	<b>18.4%</b>	<b>(157,553)</b>	<b>(125,092)</b>	<b>25.9%</b>

N.M. - not meaningful

- 1 (a) (ii) The following items (with appropriate breakdowns and explanations), if significant, must either be included in the income statement or in the notes to the income statement for the current financial period reported on and the corresponding period of the immediately preceding financial year:

The Group's loss before tax is determined after charging/crediting the following:

	<b>Group</b>			
	<b>2Q ended</b>		<b>1H ended</b>	
	<b>Unaudited</b>		<b>Unaudited</b>	
	<b>30.06.16</b>	<b>30.06.15</b>	<b>30.06.16</b>	<b>30.06.15</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Amortisation of land use rights	911	911	1,823	1,823
Amortisation of cost of preparation of land	417	417	833	833
Depreciation of property, plant and equipment	30,986	9,560	64,293	19,024
Payroll and related expenses	13,631	13,554	18,143	18,878
Foreign exchange, net	(15)	611	13	(2,544)
Operating lease expenses	3,000	3,000	6,000	6,000

**1(b) (i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.**

**Balance Sheets**

	<b>Group</b>		<b>Company</b>	
	<b>Unaudited</b>	<b>Audited</b>	<b>Unaudited</b>	<b>Audited</b>
	<b>30.06.16</b>	<b>31.12.15</b>	<b>30.06.16</b>	<b>31.12.15</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	1,524,101	1,530,276	–	–
Investment Property-Construction work-in-progress	155,157	154,060	–	–
Land use rights prepayments	150,323	152,146	–	–
Prepayments	55,988	55,988	–	–
Long term receivables	70,147	70,979	–	–
Investment in subsidiaries	–	–	–	–
	<u>1,955,716</u>	<u>1,963,449</u>	<u>–</u>	<u>–</u>
<b>Current assets</b>				
Land use rights prepayments	3,646	3,646	–	–
Inventories	49,244	36,357	–	–
Prepayments	–	15,984	–	–
Trade receivables	45,739	44,229	–	–
Bills and other receivables	290,509	261,173	–	–
Bank deposits pledged	284,548	238,056	–	–
Cash and cash equivalents	14,126	9,928	67	40
	<u>687,812</u>	<u>609,373</u>	<u>67</u>	<u>40</u>
<b>Total Assets</b>	<b><u>2,643,528</u></b>	<b><u>2,572,822</u></b>	<b><u>67</u></b>	<b><u>40</u></b>
<b>Current liabilities</b>				
Provision for income tax	(784)	(784)	–	–
Short term loans	(1,465,930)	(1,189,670)	–	–
Trade payables	(27,071)	(85,538)	–	–
Bills payables	(435,350)	(487,455)	–	–
Payables for the acquisition of property, plant and equipment	(89,237)	(63,290)	–	–
Obligations under finance leases	(24,212)	(44,821)	–	–
Other payables, liabilities, and provisions	(492,857)	(219,631)	(88,625)	(87,990)
	<u>(2,535,441)</u>	<u>(2,091,189)</u>	<u>(88,625)</u>	<u>(87,990)</u>
<b>Net current liabilities</b>	<b><u>(1,847,629)</u></b>	<b><u>(1,481,816)</u></b>	<b><u>(88,558)</u></b>	<b><u>(87,950)</u></b>
<b>Non-current liabilities</b>				
Long term bank loans	(205,000)	(432,000)	–	–
Obligations under finance leases	(21,405)	(10,398)	–	–
	<u>(226,405)</u>	<u>(442,398)</u>	<u>–</u>	<u>–</u>
<b>Total Liabilities</b>	<b><u>(2,761,846)</u></b>	<b><u>(2,533,587)</u></b>	<b><u>(88,625)</u></b>	<b><u>(87,990)</u></b>
<b>Net (Liabilities)/ Assets</b>	<b><u>(118,318)</u></b>	<b><u>39,235</u></b>	<b><u>(88,558)</u></b>	<b><u>(87,950)</u></b>
<b>Equity attributable to equity holders of the Company</b>				
Share capital	(2,190,580)	(2,190,580)	(2,190,580)	(2,190,580)
Merger reserve	369,563	369,563	–	–
Warrants reserve	(13,840)	(13,840)	(13,840)	(13,840)
Accumulated losses	1,953,175	1,795,622	2,292,978	2,292,370
<b>Total equity</b>	<b><u>118,318</u></b>	<b><u>(39,235)</u></b>	<b><u>88,558</u></b>	<b><u>87,950</u></b>
<b>Total equity and liabilities</b>	<b><u>(2,643,528)</u></b>	<b><u>(2,572,822)</u></b>	<b><u>(67)</u></b>	<b><u>(40)</u></b>

**1(b)(ii) Aggregate amount of group's borrowings, debt securities and finance leases.**

	<b>Group</b>	
	<b>Unaudited 30.06.16 RMB'000</b>	<b>Audited 31.12.15 RMB'000</b>
Amount repayable in one year or less, or on demand		
- Secured	1,465,930	1,189,670
- Unsecured	-	-
	<u>1,465,930</u>	<u>1,189,670</u>
Amount repayable after one year		
- Secured	205,000	432,000
- Unsecured	-	-
	<u>205,000</u>	<u>432,000</u>
Secured obligations under finance leases		
- Current portion	24,212	44,821
- Non-current portion	21,405	10,398
	<u>45,617</u>	<u>55,219</u>

**Details of any collateral**

Bank loans and finance lease

As at 30 June 2016, the short term and long term bank loans are secured by pledge of land use rights, production and office buildings, corporate guarantees from the subsidiaries, personal guarantee from a shareholder, Mr. Cao Xiangbin. The carrying amounts of assets pledged are disclosed below.

	<b>Group</b>	
	<b>Unaudited 30.06.16 RMB'000</b>	<b>Audited 31.12.15 RMB'000</b>
Land use rights	138,750	155,792
Production, Office buildings, Construction work in progress and Machineries	645,400	502,036
	<u>784,150</u>	<u>657,828</u>

Bills payable to banks

The bills payable to banks have an maturity period of 90 days or 180 days and are interest-free as repayments were made within the credit periods granted. As at 30 June 2016, the bills payable to banks are secured by pledge of bank deposits and corporate guarantees from subsidiaries and personal guarantee from a shareholder, Cao Xiangbin. The carrying amounts of assets pledged are disclosed below.

	<b>Group</b>	
	<b>Unaudited 30.06.16 RMB'000</b>	<b>Audited 31.12.15 RMB'000</b>
Bank deposits pledged	<u>284,548</u>	<u>238,056</u>

- 1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

**Unaudited consolidated cash flow statements for the second quarter ended 30 June 2016 ("2QFY2016")**

	Group			
	2Q ended Unaudited		1H ended Unaudited	
	30.06.16 RMB'000	30.06.15 RMB'000	30.06.16 RMB'000	30.06.15 RMB'000
<b>Loss before tax</b>	<b>(64,881)</b>	<b>(54,802)</b>	<b>(157,553)</b>	<b>(125,092)</b>
Adjustments:				
Amortisation of land use rights	912	911	1,823	1,823
Amortisation of costs of preparation of land	418	417	833	833
Depreciation of property, plant and equipment	30,986	9,560	64,293	19,024
Interest expense	20,294	34,533	66,813	81,275
Interest income	(389)	(1,748)	(1,625)	(3,894)
Unrealised exchange (gain)/ loss	(15)	611	(13)	(2,544)
Operating loss before working capital changes	(12,675)	(10,518)	(25,429)	(28,575)
(Increase)/ Decrease in:				
Inventories	(28,044)	(49,674)	(12,887)	(55,527)
Trade and other receivables and prepayments	(27,572)	3,550	(14,864)	(15,633)
Trade and other payables/ other liabilities	95,213	(10,144)	50,040	262
Cash flows generated from/ (used in) operations	26,922	(66,786)	(3,140)	(99,473)
Interest income received	389	1,747	1,625	3,894
Income taxes paid	—	—	—	—
<b>Net cash flows generated from/ (used in) operating activities</b>	<b>27,311</b>	<b>(65,039)</b>	<b>(1,515)</b>	<b>(95,579)</b>
<b>Cash flows used in investing activities</b>				
Purchase of property, plant and equipment	(7,444)	(2,600)	(33,295)	(96,615)
<b>Net cash flows used in investing activities</b>	<b>(7,444)</b>	<b>(2,600)</b>	<b>(33,295)</b>	<b>(96,615)</b>
<b>Cash flows from/ financing activities</b>				
Proceeds from short term financing loans	245,880	270,500	996,520	698,333
Repayment of short term financing loans	(238,270)	(130,696)	(947,260)	(418,613)
Repayment from long term financing loans	—	(11,000)	—	(11,000)
(Increase)/ decrease in bank deposits pledged	(24,027)	(73,148)	(46,492)	(100,143)
Repayment of finance lease liabilities	(2,455)	(38,435)	(9,602)	(19,432)
Decrease/ (increase) in bills payable	11,450	63,979	(52,105)	53,924
Advances extended to lessees under operating leases	—	—	—	(300)
Proceeds of interest-free loan from certain government-linked entities	15,000	—	165,000	—
Interest expense paid	(18,329)	(29,620)	(67,053)	(73,723)
<b>Net cash (used in)/generated from financing activities</b>	<b>(10,751)</b>	<b>51,580</b>	<b>39,008</b>	<b>129,046</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>9,116</b>	<b>(16,059)</b>	<b>4,198</b>	<b>(63,148)</b>
<b>Cash and cash equivalents at beginning of financial period</b>	<b>5,010</b>	<b>19,384</b>	<b>9,928</b>	<b>66,473</b>
<b>Cash and cash equivalents at end of financial period (Note A)</b>	<b>14,126</b>	<b>3,325</b>	<b>14,126</b>	<b>3,325</b>

Note to the unaudited consolidated cash flow statement

1H ended Unaudited	
30.06.2016	30.06.2015
RMB'000	RMB'000

**Note A: Cash and cash equivalents**

Cash and bank balances	298,674	371,371
Less: Bank deposits pledged	(284,548)	(368,046)
Cash and cash equivalents	<b>14,126</b>	<b>3,325</b>

**1(d) A statement of comprehensive income (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year.**

The statement of comprehensive income is not presented as there are no items relating to Other Comprehensive Income for 2QFY2016 while the income statement has been presented in item 1(a).

**1(e)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

<b><u>The Group</u></b>	<b>Share capital RMB'000</b>	<b>Warrant Reserve RMB'000</b>	<b>Merger reserve RMB'000</b>	<b>Accumulated losses RMB'000</b>	<b>Total Equity RMB'000</b>
<b>At 1 January 2016</b>	<b>2,190,580</b>	<b>13,840</b>	<b>(369,563)</b>	<b>(1,795,622)</b>	<b>39,235</b>
Loss net of tax represents total comprehensive income for the period	—	—	—	(92,673)	(92,673)
<b>At 31 March 2016</b>	<b>2,190,580</b>	<b>13,840</b>	<b>(369,563)</b>	<b>(1,888,295)</b>	<b>(53,438)</b>
Loss net of tax represents total comprehensive income for the period	—	—	—	(64,880)	(64,880)
<b>At 30 June 2016</b>	<b>2,190,580</b>	<b>13,840</b>	<b>(369,563)</b>	<b>(1,953,175)</b>	<b>(118,318)</b>
<b><u>The Group</u></b>	<b>Share capital RMB'000</b>	<b>Warrant Reserve RMB'000</b>	<b>Merger reserve RMB'000</b>	<b>Accumulated losses RMB'000</b>	<b>Total Equity RMB'000</b>
<b>At 1 January 2015</b>	<b>2,190,580</b>	<b>13,840</b>	<b>(369,563)</b>	<b>(1,008,580)</b>	<b>826,277</b>
Loss net of tax represents total comprehensive income for the period	—	—	—	(70,290)	(70,290)
<b>At 31 March 2015</b>	<b>2,190,580</b>	<b>13,840</b>	<b>(369,563)</b>	<b>(1,078,870)</b>	<b>755,987</b>

Loss net of tax represents total comprehensive income for the period	—	—	—	(54,802)	(54,802)
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<b>At 30 June 2015</b>	<b>2,190,580</b>	<b>13,840</b>	<b>(369,563)</b>	<b>(1,133,672)</b>	<b>701,185</b>
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<u>The Company</u>	Share capital RMB'000	Warrant Reserve RMB'000	Merger reserve RMB'000	Accumulated losses RMB'000	Total Equity RMB'000
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<b>At 1 January 2016</b>	<b>2,190,580</b>	<b>13,840</b>	<b>-</b>	<b>(2,292,370)</b>	<b>(87,950)</b>
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Loss net of tax represents total comprehensive income for the period	—	—	—	33	33
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<b>At 31 March 2016</b>	<b>2,190,580</b>	<b>13,840</b>	<b>—</b>	<b>(2,292,337)</b>	<b>(87,917)</b>
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Loss net of tax represents total comprehensive income for the period	—	—	—	(641)	(641)
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<b>At 30 June 2016</b>	<b>2,190,580</b>	<b>13,840</b>	<b>—</b>	<b>(2,292,978)</b>	<b>(88,558)</b>
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<u>The Company</u>	Share capital RMB'000	Warrant Reserve RMB'000	Merger reserve RMB'000	Accumulated losses RMB'000	Total Equity RMB'000
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<b>At 1 January 2015</b>	<b>2,190,580</b>	<b>13,840</b>	<b>—</b>	<b>(1,077,496)</b>	<b>1,126,924</b>
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Loss net of tax represents total comprehensive income for the period	—	—	—	(5,467)	(5,467)
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<b>At 31 March 2015</b>	<b>2,190,580</b>	<b>13,840</b>	<b>—</b>	<b>(1,082,963)</b>	<b>1,121,457</b>
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Loss net of tax represents total comprehensive income for the period	—	—	—	(3,972)	(3,972)
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<b>At 30 June 2015</b>	<b>2,190,580</b>	<b>13,840</b>	<b>—</b>	<b>(1,086,935)</b>	<b>1,117,485</b>
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- 1(e)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

There were no changes in the share capital of the Company as at 30 June 2016.

As at 30 June 2016, the Company has an issued and paid-up share capital comprising 113,749,997 Shares (30 June 2015: 113,749,997 Shares). Assuming that all of the remaining 56,874,996 Warrants (30 June 2015: 56,874,996 Warrants) have been exercised by the Warrant holders, a further 56,874,996 Shares will be issued by the Company to such Warrant holders. The Company does not have any treasury shares.

- 1(e)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

<b>Company</b>	<b>Unaudited 30.6.2016</b>	<b>Audited 31.12.2015</b>
Total number of issued share capital excluding treasury shares	<u>113,749,997</u>	<u>113,749,997</u>
Total number of warrants	<u>56,874,996</u>	<u>56,874,996</u>

The Company does not have treasury shares.

- 1(e)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable. As at 30 June 2016, there were no treasury shares.

- 2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The financial information of the Group and the Company for the financial period reported have neither been audited nor reviewed.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

Except for the adoption of the Amendments to FRSs applicable for the financial year beginning on or after 1 January 2016, the same accounting policies and methods of computation have been applied. The adoption of Amendments to FRSs did not have any effect on the financial performance or position of the Group and the Company.

- 5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

The Group and the Company have adopted all the amendments to FRSs that are effective for the annual periods beginning on or after 1 January 2016. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

In addition, the background and limitations relating to the preparation of the financial information for 2QFY2016 are as follows ("Limitations"):

Financial period from 1 January 2011 to 31 March 2011 ("1QFY2011")

As mentioned in the Explanatory Notes at the beginning of this announcement, the bulk of the Group's accounting books and records for the period prior to 1 April 2011 could not be located. Hence, the Special Auditors were unable to reconstruct the Group's accounts as at 31 December 2010 and 31 March 2011 based on the limited information provided to them. While the Company is seeking to recover these missing records, the chance of recovering the aforesaid records within a reasonable amount of time may be remote. Moreover, even if the aforesaid missing records could be recovered, there is no assurance that these financial records would be complete or that all material supporting documents and information required for reconstructing the Group's accounts as at 31 December 2010 and 31 March 2011 would be available.

Balance Sheet as at 31 March 2011

31 March 2011 balance sheets had been prepared based on information and supporting documents available to the then management (comprising *inter alia*, the Company's former interim CEO, Jerome Tham and former CFO, Chen Guo Dong) after they took over the finance functions and records of the Group in May 2011.

Further to the release of the Special Auditors' findings, based on the information and supporting documents available to the current management as aforesaid, no further adjustment would be made to the balance sheet as at 31 March 2011 as announced by the Company on 28 October 2011.

Cautionary Note

In view of the matters as described in the preceding paragraphs, the Company is unable to ascertain the impact, if any, on the 2QFY2016 financial results and there is no assurance that there are no material facts not known to the current management that may require the 2QFY2016 financial results to be further adjusted.

6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	Unaudited Group			
	2Q ended		1H ended	
	30.06.16	30.06.15	30.06.16	30.06.15
<b>Loss per share ("LPS")</b>				
Basic and diluted (RMB)	(0.58)	(0.48)	(1.39)	(1.10)

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:**

- (a) current financial period reported on; and  
(b) immediately preceding financial year.

	Group		Company	
	Unaudited	audited	Unaudited	audited
	30.06.16	31.12.15	30.06.16	31.12.15
Net asset value per share (RMB)	(1.04)	0.34	(0.78)	(0.77)

8. **A review of the performance of the Group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**

- (i) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and  
(ii) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

#### **REVIEW OF 2QFY2016 FINANCIAL RESULTS**

The Group's revenue for the second quarter ended 30 June 2016 ("2QFY2016") increased by RMB 222.1 million or 511.5% to RMB 265.5 million from RMB 43.4 million for the second quarter ended 30 June 2015 ("2QFY2015").

In 2QFY2016, the PRC textile industry continued to be impacted by the slowdown of the PRC economy and the market conditions for the fibre industry did not improve. The Group's revenue consisted of sales of DTY of RMB 35.5 million, FDY of RMB 100.0 million, POY of RMB 94.5 million and PET Chips of RMB 35.4 million (2QFY2015: DTY sales amounted to RMB 16.9 million and the sales of FDY, POY and PET chips amounted RMB 233.0 million were previously capitalised as part of Construction work-in-progress ("CWIP") during testing phase). Huaxiang Plant had completed the testing phase for FDY, POY and PET chips in 1QFY2016 and the increase in revenue was mainly due to the resumption of full production capacity during the financial quarter under review.

Correspondingly, cost of sales also increased by RMB 261.1 million from RMB 42.5 million in 2QFY2015 to RMB 303.6 million in 2QFY2016. This resulted in a gross loss of RMB 38.2 million for 2QFY2016 compared to a gross profit of RMB 0.95 million for 2QFY2015. The gross loss was mainly due to higher depreciation and production costs and the reclassification of certain production costs from CWIP to Cost of Sales.

Financial income in 2QFY2016 decreased by RMB 1.32 million or 77.7% to RMB 0.38 million from RMB 1.7 million in 2QFY2015, mainly due to lesser fixed deposits pledged against bills payables and the lower applicable interest rates imposed by banks during 2QFY2016 compared to 2QFY2015.

Other income, which mainly comprised Huaxiang's scrap sales, decreased by RMB 7.5 million or 73.0% from RMB 10.3 million in 2QFY2015 to RMB 2.8 million in 2QFY2016 as there was no raw materials trading income in 2QFY2016.

Selling and distribution expenses, comprised sales department's salaries and distribution costs, amounted to RMB 1.41 million for 2QFY2016, an increase of 63.2%, compared to RMB 0.86 million in 2QFY2015, which was in line with the increase in revenue.

General and administrative expenses in 2QFY2016 decreased by 74.8% to RMB 8.2 million compared to RMB 32.4 million in 2QFY2015, mainly due to reclassification of certain production related expenses (e.g. depreciation of production plant and production salary expenses) as Cost of Sales, after the resumption of production to normal level during the financial quarter under review.

Financial expenses in 2QFY2016 decreased by RMB 14.2 million or 41.2% to RMB 20.3 million compared to RMB 34.5 million in 2QFY2015. The Group had discussed with some creditors from non-financial institutions which have agreed to lower the interest rates previously applied to these non-financial institution loans, thereby resulting in a decrease in accrued interest payable to these non-financial institutions. In addition, the lower interest expenses is also attributed to the lower applicable bank loan interest rate in 2QFY2016 compared to the same period in FY2015.

### 3 months ended 30 June 2016 ("2QFY2016")

The Group registered a loss of RMB 64.9 million for 2QFY2016. The higher loss before tax was mainly attributed to the depreciation of property, plant and equipment ("PPE") amounted to RMB 31.0 million. In addition, the high financial expense is also a factor of the net loss. The net loss would be RMB 13.6 million if such factors are being excluded.

### Consolidated Balance Sheet

As at 30 June 2016, the Group's PPE amounted to RMB 1.52 billion as compared to RMB 1.53 billion as at 31 December 2015. The decrease was mainly due to the depreciation charge during the period under review.

Land use rights over the four plots of state-owned land in the PRC where the Group's manufacturing premises reside, amounted to RMB 154.0 million as at 30 June 2016, compared to RMB 155.8 million as at 31 December 2015. The decrease was due to amortisation charge for the financial period under review.

The investment property amounted to RMB 155.2 million as at 30 June 2016 compared to RMB 154.1 million as at 31 December 2015, mainly due to additional construction payments to the construction suppliers. Construction of office building is completed and the Group expects to obtain the building safety certificates from relevant government authorities by 3QFY2016.

Prepayment (non-current portion) relates to the prepayment for the Huaxiang Project's Phase 2 land cost of RMB 56.0 million.

Long term receivables mainly comprised land preparation cost for the Huaxiang Project. The decrease was mainly due to amortisation over the remaining lease period.

Intangible assets is the newly installed ERP system amounting to RMB 0.56 million. The slight decrease from 1Q2016 was due to amortisation charge.

In terms of current assets, the Group's inventories increased to RMB 49.2 million as at 30 June 2016 from RMB 36.4 million as at 31 December 2015, mainly due to the resumption of production to normal level at the Huaxiang plant. Turnover days of finished goods was approximately 13 days for the period under review.

Trade receivables increased by RMB 1.5 million to RMB 45.7 million as at 30 June 2016 from RMB 44.2 million as at 31 December 2015, mainly due to more credit sales made during 2QFY2016.

The decrease in prepayment (current portion) by RMB 16.0 million from RMB 16.0 million as at 31 December 2015 to nil balance as at 30 June 2016, was mainly due to the receipt of goods from suppliers during the financial quarter under review.

Bills and other receivables increased by RMB 29.8 million to RMB 291.0 million as at 30 June 2016 from RMB 261.2 million as at 31 December 2015. Other receivables are mainly comprised:

- (i) RMB 159.4 million of Input VAT receivables from domestic machines purchased for the Huaxiang Project which can be used to set off future VAT payment generated by the sales from the Huaxiang plant;
- (ii) a remaining RMB 10.1 million of receivables from Huarong Asset Management Company for transferring the DiBang Group non-performance debts as announced previously;
- (iii) RMB 30.5 million of deposits paid to the financial leasing lessor; and
- (iv) Other receivables from lessees amounted to RMB 24.7 million.

In terms of current liabilities, the Group's trade payables decreased by RMB 58.4 million to RMB 27.1 million as at 30 June 2016 from RMB 85.5 million as at 31 December 2015 as the Group made more repayments to the suppliers.

Over the same period, short term loans increased by RMB 0.28 billion to RMB 1.47 billion as at 30 June 2016 from RMB 1.19 billion as at 31 December 2015. This was mainly due to partial longterm loans was reclassified as short term loans as at 30 June 2016.

Payables for the acquisition of PPE increased by RMB 25.9 million to RMB 89.2 million as at 30 June 2016 from RMB 63.3 million as at 31 December 2015 was mainly due to accrued for final settlement of machineries with certain suppliers.

Finance lease payable relates to the lease of production equipment from HuaRong Finance Lease Co., Ltd ("Lessor"). The decrease in finance lease payable was due to repayments made to the Lessor during the financial quarter under review.

Other payables, liabilities and provision increased by RMB 273.3 million to RMB 492.9 million as at 30 June 2016 from RMB 219.6 million as at 31 December 2015. As at 30 June 2016, they comprised mainly of:

- (i) Proceeds of interest free loans from 2 state-owned entities amounting to RMB 255.0 million;
- (ii) Advances received from customers amounting to RMB 67.1 million; and
- (iii) Advances from third parties amounting to 21.8 million

Bills payable decreased by RMB 52.1 million to RMB 435.4 million as at 30 June 2016 from RMB 487.5 million as at 31 December 2015 as partial bills payable had been repaid to the banks.

As at 30 June 2016, the Group reported a deficiency in net working capital amounting to RMB 1.8 billion as the Group currently uses short term financing, including short term loans from financial institutions and non-financial institutions and bill payable facilities to finance its long-term Huaxiang Project and also the working capital requirements for the operations of the Huaxiang plant.

#### Consolidated Cash Flow Statement

Cash and cash equivalents increased by RMB 4.2 million from RMB 9.9 million as at 31 December 2015 to RMB 14.1 million as at 30 June 2016 was mainly due to cash outflows from operating activities and payments of capital expenditures amounted to RMB 1.5 million and RMB 33.3 million respectively. Cash inflows from financing activities amounted to RMB 39.0 million.

- 9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

The 2QFY2016 results are in line with the information described in paragraph 10 of the previous results announcement.

**10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

Production Update

As announced previously, the Group had resumed production on 15 April 2016 after the temporary cessation of production for the PET, FDY and POY production lines on 30 December 2015.

During 2QFY2016, the production level has been improved to full capacity. As at the date of announcement, total daily production volume of Huaxiang's spinning and polymerisation plant is approximately 630 tonnes, comprising approximately 530 tonnes of POY and FDY and approximately 100 tonnes PET polyester chips. The total number of employees of the Group is approximately 1,100.

Market Outlook

The Company believes that the macro-environment for the financial year ending 31 December 2016 is likely to continue to remain challenging due to the ongoing uncertainties in the global economy and the slowdown in the PRC economy.

On an individual scale, the Company has seen market acceptance of the quality of its products and is actively expanding its sales channels, which includes working with trade agencies to increase its market presence. To date, the Company has more than 800 customers, both existing and new, and has been receiving a stable number of orders from repeat customers.

Although the Huaxiang plant has resumed to full production capacity level. The management believes that the market situation is still challenging. However, the management has taken some concrete measures to handle the situation, including negotiating with local government and banks for more financial assistances and working capital supports, postponing the repayment of the bank loans' interest and principal, as well as internal cost-saving programs. As such, the management believes that the Group will be able to sustain itself with these efforts.

Update on the Non-Performing Loan

The Fujian Fuzhou City Supreme Court ("the Court") has issued a statement relating to the update on the status of disputed proceeds in February 2016. According to the statement, only RMB 10.0 million was left to be distributed amongst 13 Creditors (including the Group's subsidiary, NHW). Based on this statement, Management has made an assessment of its remaining credit exposure of RMB 11.6 million and has accordingly recognised an impairment loss of RMB1.6 million in the statement of comprehensive income. To-date, there is no further update on this matter.

Insofar as the Board is aware, the above transaction is not expected to have any material impact on the Group's net tangible assets and earnings per share for the financial year ending 31 December 2016, even if the Disputed Equity Shares cannot be recovered in the future as a worse-case scenario.

For the background and more information on the Disputed Equity Shares, please refer to the 2QFY2015 Results Announcement.

**11. Dividend**

**(a) Current Financial Period Reported On**

Any dividend declared for the current financial period reported on? No

**(b) Corresponding Period of the Immediately Preceding Financial Year**

Not applicable.

**(c) Date payable**

Not applicable

**(d) Books closure date**

Not applicable

**(e) Other comments relating to Dividend**

Not applicable.

**12. If no dividend has been declared/recommendeded, a statement to that effect.**

Not applicable.

**13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transaction as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

The Group does not have a general mandate from shareholders for Interested Person Transactions.

**14. Confirmation that the issuer has procured undertakings from all its directors and executive officers under Rule 720(1)**

The Company has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

**BY ORDER OF THE BOARD**

**China Gaoxian Fibre Fabric Holdings Ltd.**  
**Tham Wan Loong, Jerome**  
**Executive Director**

12 August 2016

**Confirmation by the Board pursuant to Rule 705(5) of the Listing Manual**

We, being two directors of China Gaoxian Fibre Fabric Holdings Ltd. (the "Company"), wish to highlight that the preparation of the 2QFY2016 Results is subject to the Limitations set out in Item 5 of this announcement.

Subject to the above, we hereby confirm that, to the best of our knowledge, nothing has come to the attention of the Board of Directors which may render the financial results of the Company and the Group for the financial quarter ended 30 June 2016 to be false or misleading in any material aspect.

For and on behalf of the  
Board of Directors of  
**China Gaoxian Fibre Fabric Holdings Ltd.**

Lin Xingdi  
Executive Director

Tham Wan Loong, Jerome  
Executive Director

12 August 2016