



China Gaoxian Fibre Fabric Holdings Ltd.

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**SGXNET ANNOUNCEMENT**  
**Unaudited Financial Statement and Dividend Announcement**  
**For the Financial Period ended 31 March 2018**

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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 March 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 March 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 financial quarter ended 31 March 2018 ("1QFY2018") 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 consolidated income statement for the First quarter ("1Q") ended 31 March 2018.

	Unaudited	Unaudited	Change
	01.01.18 to 31.03.18 3 months RMB'000	01.01.17 to 31.03.17 3 months RMB'000	%
<b>Revenue</b>	717,405	634,483	13.1
<b>Cost of sales</b>	(687,637)	(630,503)	9.1
<b>Gross profit</b>	<b>29,768</b>	<b>3,980</b>	<b>647.9</b>
<b>Other items of income</b>			
Financial income	355	7,277	(95.1)
Other income	7,735	1,859	316.1
<b>Other items of expense</b>			
Selling and distribution expenses	(845)	(1,303)	(35.1)
General and administrative expenses	(19,763)	(22,561)	(12.4)
Financial expense	(26,148)	(42,014)	(37.8)
<b>Loss before tax</b>	<b>(8,897)</b>	<b>(52,762)</b>	<b>(83.1)</b>
Income tax	-	-	N.M
<b>Net loss attributable to shareholders representing total comprehensive Loss for the period attributable to equity holders of the Company</b>	<b>(8,897)</b>	<b>(52,762)</b>	<b>(83.1)</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>01.01.18 to 31.03.18</b>	<b>01.01.17 to 31.03.17</b>
	<b>(3 months)</b>	<b>(3 months)</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Amortisation of land use rights prepayments	911	911
Amortisation of cost of preparation of land	417	417
Depreciation of property, plant and Equipment ("PPE")	37,448	35,802
Payroll and related expenses	14,660	19,421
Foreign exchange loss	-	16
Operating lease expenses	3,000	3,000

**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 As At 31 March 2018**

	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	31.03.18	31.12.17	31.03.18	31.12.17
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	1,158,535	1,192,518	–	–
Investment Property-Construction work-in-progress	158,875	159,045	–	–
Land use rights prepayments	143,943	144,854	–	–
Prepayments	55,988	55,988	–	–
Long term receivables	67,230	67,647	–	–
Investment in subsidiaries	–	–	–	–
	<u>1,584,571</u>	<u>1,620,052</u>	–	–
<b>Current assets</b>				
Land use rights prepayments	3,646	3,646	–	–
Inventories	43,213	18,275	–	–
Prepayments	20,554	7,402	–	–
Trade receivables	42,131	67,136	–	–
Bills and other receivables	209,859	155,834	–	–
Bank deposits pledged	44,110	17,767	–	–
Cash and cash equivalents	4,589	15,964	18	18
	<u>368,102</u>	<u>286,024</u>	<u>18</u>	<u>18</u>
<b>Total Assets</b>	<b><u>1,952,673</u></b>	<b><u>1,906,076</u></b>	<b><u>18</u></b>	<b><u>18</u></b>
<b>Current liabilities</b>				
Provision for income tax	–	–	–	–
Short term loans	(1,154,500)	(1,139,080)	–	–
Trade payables	(147,025)	(105,005)	–	–
Bills payables	(43,939)	(17,596)	–	–
Payables for the acquisition of property, plant and equipment	(58,503)	(61,867)	–	–
Other payables, liabilities, and provisions	(466,242)	(489,367)	(93,744)	(94,142)
	<u>(1,870,209)</u>	<u>(1,812,915)</u>	<u>(93,744)</u>	<u>(94,142)</u>
<b>Net current liabilities</b>	<b><u>(1,502,107)</u></b>	<b><u>(1,526,891)</u></b>	<b><u>(93,744)</u></b>	<b><u>(94,142)</u></b>
<b>Non-current liabilities</b>				
Long term bank loans	(521,200)	(523,000)	–	–
	<u>(521,200)</u>	<u>(523,000)</u>	–	–
<b>Total Liabilities</b>	<b><u>(2,391,409)</u></b>	<b><u>(2,335,915)</u></b>	<b><u>(93,744)</u></b>	<b><u>(94,142)</u></b>
<b>Net Assets</b>	<b><u>(438,736)</u></b>	<b><u>(429,839)</u></b>	<b><u>(93,726)</u></b>	<b><u>(94,124)</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	2,273,593	2,264,696	2,298,146	2,298,544
<b>Total equity</b>	<b><u>438,736</u></b>	<b><u>429,839</u></b>	<b><u>93,726</u></b>	<b><u>94,124</u></b>
<b>Total equity and liabilities</b>	<b><u>(1,952,673)</u></b>	<b><u>(1,906,076)</u></b>	<b><u>(18)</u></b>	<b><u>(18)</u></b>

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

	<b>Group</b>	
	<b>Unaudited 31.03.18 RMB'000</b>	<b>Audited 31.12.17 RMB'000</b>
Amount repayable in one year or less, or on demand		
- Secured	1,154,500	1,139,080
- Unsecured	-	-
	1,154,500	1,139,080
Amount repayable after one year		
- Secured	521,200	523,000
- Unsecured	-	-
	521,200	523,000

**Details of any collateral**

Bank loans and finance lease

As at 31 March 2018, the short-term and long-term bank loans are secured by pledge of land use right, production and office building, corporate guarantee from the subsidiaries, personal guarantee from a shareholder, Cao Xiangbin. The carrying amounts of assets pledged are disclosed below.

	<b>Group</b>	
	<b>Unaudited 31.03.18 RMB'000</b>	<b>Audited 31.12.17 RMB'000</b>
Land use rights	147,589	152,146
Production, Office buildings, Construction work in progress and Machineries	544,925	614,638
	692,514	766,784

Bills payable to banks

The bills payable to banks have a maturity period of 90 days or 180 days and are interest-free as repayments were made within the credit periods granted. As at 31 March 2018, the bills payable to banks are secured by pledge of bank deposits and corporate guarantee from subsidiaries and personal guarantee from a shareholder, Cao Xiangbin. The carrying amounts of assets pledged are disclosed below.

	<b>Group</b>	
	<b>Unaudited 31.03.18 RMB'000</b>	<b>Audited 31.12.17 RMB'000</b>
Bank deposits pledged	44,110	17,767

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 First quarter ended 31 March 2018 (“1QFY2018”)

	Unaudited 01.01.18 to 31.03.18 3 months RMB'000	Unaudited 01.01.17 to 31.03.17 3 months RMB'000
<b>Loss before tax</b>	<b>(8,897)</b>	<b>(52,762)</b>
Adjustments:		
Amortisation of land use rights prepayments	911	911
Amortisation of costs of preparation of land	417	417
Depreciation of property, plant and equipment	37,448	35,802
Interest expense	26,148	42,014
Interest income	(355)	(312)
Unrealised exchange loss	-	16
	<hr/>	<hr/>
Operating profit before working capital changes	55,672	26,086
Changes in working capital:		
Inventories	(24,938)	(1,464)
Trade and other receivables	17,131	(113,255)
Trade and other payables/ Other liabilities	(36,720)	148,748
	<hr/>	<hr/>
Cash flows generated from operations	11,145	60,115
Interest income received	355	312
Income tax paid	-	-
	<hr/>	<hr/>
<b>Net cash flows generated from in operating activities</b>	<b>11,500</b>	<b>60,427</b>
<b>Cash flows used in investing activity</b>		
Purchase of property, plant and equipment	(8,733)	(9,392)
	<hr/>	<hr/>
<b>Net cash flows used in investing activity</b>	<b>(8,733)</b>	<b>(9,392)</b>
<b>Cash flows from financing activities</b>		
Proceeds from short-term financing loans	481,920	290,250
Proceeds from long-term financing loans	-	-
Repayment of short-term financing loans	(468,300)	(282,627)
(Increase)/decrease in bank deposits pledged	(26,343)	99,787
Increase/(decrease) in bills payable	26,343	(130,095)
Interest expense paid	(27,762)	(24,723)
	<hr/>	<hr/>
<b>Net cash used in financing activities</b>	<b>(14,142)</b>	<b>(47,408)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(11,375)</b>	<b>3,627</b>
<b>Cash and cash equivalents at beginning of financial period</b>	<b>15,964</b>	<b>11,706</b>
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of financial period</b>	<b>4,589</b>	<b>15,333</b>

## Note to the unaudited consolidated cash flow statement

	31.03.2018	31.03.2017
	RMB'000	RMB'000
<b>Note A: Cash and cash equivalents</b>		
Cash and bank balances	48,699	25,557
Less: Bank deposits pledged	(44,110)	(10,224)
Cash and cash equivalents	<u>4,589</u>	<u>15,333</u>

**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 1QFY2018 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.**

<u>The Group</u>	Share capital RMB'000	Warrant Reserve RMB'000	Merger reserve RMB'000	Accumulated losses RMB'000	Total Equity RMB'000
At 1 January 2018	2,190,580	13,840	(369,563)	(2,264,696)	(429,839)
Loss net of tax represents total comprehensive income for the period	-	-	-	(8,897)	(8,897)
At 31 March 2018	<u>2,190,580</u>	<u>13,840</u>	<u>(369,563)</u>	<u>(2,273,593)</u>	<u>(438,736)</u>

<u>The Group</u>	Share capital RMB'000	Warrant Reserve RMB'000	Merger reserve RMB'000	Accumulated losses RMB'000	Total Equity RMB'000
At 1 January 2017	2,190,580	13,840	(369,563)	(2,170,712)	(335,855)
Loss net of tax represents total comprehensive income for the period	-	-	-	(52,762)	(52,762)
At 31 March 2017	<u>2,190,580</u>	<u>13,840</u>	<u>(369,563)</u>	<u>(2,218,608)</u>	<u>(383,751)</u>

<u>The Company</u>	Share capital RMB'000	Warrant Reserve RMB'000	Merger reserve RMB'000	Accumulated losses RMB'000	Total Equity RMB'000
At 1 January 2018	2,190,580	13,840	-	(2,298,544)	(94,124)
Loss net of tax represents total comprehensive income for the period	-	-	-	398	398
At 31 March 2018	2,190,580	13,840	-	(2,298,146)	(93,726)
<u>The Company</u>	Share capital RMB'000	Warrant Reserve RMB'000	Merger reserve RMB'000	Accumulated losses RMB'000	Total Equity RMB'000
At 1 January 2017	2,190,580	13,840	-	(2,295,404)	(90,984)
Loss net of tax represents total comprehensive income for the period	-	-	-	(591)	(591)
At 31 March 2017	2,190,580	13,840	-	(2,295,995)	(91,575)



**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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding year.**

There were no changes in the share capital of the Company as at 31 March 2018.

As at 31 March 2018, the Company has an issued and paid-up share capital comprising 113,749,997 Shares (31 December 2017: 113,749,997 Shares). Assuming that all of the remaining 56,874,996 Warrants (31 December 2017: 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 and there are no subsidiary holdings.

**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 31.3.2018</b>	<b>Unaudited 31.12.2017</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>

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

Not applicable. As at 31 March 2018, there were no treasury shares.

**1(e)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.**

Not applicable as the Company does not have any subsidiary that holds shares issued by the Company.

**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.**

**ACCOUNTING POLICIES**

Except for the adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) effective on 1 January 2018, the Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period as compared to the audited financial statements as at 31 December 2017.

**CHANGES IN ACCOUNTING POLICIES**

The Group has adopted the new financial reporting framework, SFRS(I), mandatory for Singapore-incorporated companies with equity instruments traded in a public market in Singapore for annual periods beginning on or after 1 January 2018. In adopting SFRS(I), the Group has applied the specific transition requirements in SFRS(I) 1 *First-time Adoption of International Financial Reporting Standards*.

In addition to the adoption of the new framework, the Group also concurrently applied the following new SFRS(I)s, amendments to and interpretations of SFRS(I) effective from the same date:

- SFRS(I) 15 *Revenue from Contracts with Customers* (Amendments to SFRS(I) 15 and Clarifications to SFRS(I) 15);
- SFRS(I) 9 *Financial Instruments*;
- *Classification and Measurement of Share-based Payment Transactions* (Amendments to SFRS(I) 2);
- *Transfers of Investment Property* (Amendments to SFRS(I) 1-40);
- *Deletion of short-term exemptions for first-time adopters* (Amendments to SFRS(I) 1);
- *Measuring an Associate or Joint Venture at Fair Value* (Amendments to SFRS(I) 1-28);
- Applying SFRS(I) 9 *Financial Instruments* with SFRS(I) 4 *Insurance Contracts* (Amendments to SFRS(I) 4); and
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*

The adoption of these SFRS(I)s, amendments to and interpretations of SFRS(I) did not have a material impact on the financial statements of the Group.

**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 2018. 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 1QFY2018 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 1QFY2018 financial results and there is no assurance that there are no material facts not known to the current management that may require the 1QFY2018 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	
	1Q ended	
	31.03.18	31.03.17
<b>Loss per share ("LPS")</b>		
Basic and diluted (RMB)	(0.08)	(0.46)

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	Unaudited	Unaudited	Unaudited
	31.03.18	31.12.17	31.03.18	31.12.17
Net asset value per share (RMB Yuan)	(3.86)	(3.96)	(0.82)	(0.83)

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 1QFY2018 FINANCIAL RESULTS

The Group's revenue for the first quarter ended 31 March 2018 ("1QFY2018") increased by RMB 82.9 million or 13.1% to RMB 634.5 million from RMB 634.5 million for the first quarter ended 31 March 2017 ("1QFY2017").

In 1QFY2018, 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 39.8 million, FDY of RMB 275.3 million, POY of RMB 159.2 million, PET Chips of RMB 217.1.6 million and revenue from the supply chain cooperation agreement of RMB 26.1 million. The increase in revenue was mainly due to the resumption of Huaxiang Plant's full production capacity for FDY, POY and PET chips since the second quarter for the financial year ended 31 December 2017.

Correspondingly, cost of sales also increased by RMB 57.1 million from RMB 630.1 million in 1QFY2017 to RMB 687.6 million in 1QFY2018. This resulted in a gross profit of RMB 29.8 million for 1QFY2018 compared to a gross profit of RMB 4.0 million for 1QFY2017. The gross profit was mainly due to higher product selling prices and higher sales volume.

Financial income in 1QFY2018 decreased by RMB 6.9 million or 95.1% to RMB 0.4 million from RMB 7.28 million in 1QFY2017.

Other income in 1QFY2018 increased by RMB 5.9 million or 316.1% to RMB 7.7 million from RMB 1.86 million in 1QFY2017, mainly due to more revenue generated from trading business in 1QFY2018 compared to 1QFY2017.

Selling and distribution expenses comprised sales department's salaries and distribution costs. It amounted to RMB 0.8 million for 1QFY2018, an decrease of 35.1%, compared to RMB 1.30 million in 1QFY2017 due to less salary expenses during the quarter under review.

General and administrative expenses in 1QFY2018 decreased by 12.4% to RMB 19.76 million compared to RMB 22.56 million in 1QFY2017, mainly due to cost control.

Financial expenses in 1QFY2018 decreased by RMB 15.9 million or 37.8% to RMB 26.1 million compared to RMB 42.0 million in 1QFY2017. The lower interest expenses were also attributed to the lower applicable bank loan interest rate in 1QFY2018 compared to the same period in FY2017.

### 3 months ended 31 March 2018 ("1QFY2018")

The Group registered a loss of RMB 8.9 million for 1QFY2018. The loss before tax was mainly attributed to the depreciation of property, plant and equipment ("PPE") amounting to RMB 37.5 million. In addition, the high financial expense was also a factor of the net loss. The net profit would be RMB 54.7 million if such factors are being excluded.

### Consolidated Balance Sheet

As at 31 March 2018, the Group's PPE amounted to RMB 1.16 billion as compared to RMB 1.19 billion as at 31 December 2017. 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 147.6 million as at 31 March 2018, compared to RMB 148.5 million as at 31 December 2017. The decrease was due to amortisation charge for the financial period under review.

The investment property amounted to RMB 158.9 million as at 31 March 2018 compared to RMB 159.0 million as at 31 December 2017. Pending some finishing works, the construction of office building has been completed and the Group expects to obtain the building certificates from relevant government authorities by 2QFY2018, instead of 1QFY2018 as stated in last quarter's results announcement.

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.

In terms of current assets, the Group's inventories increased to RMB 43.2 million as at 31 March 2018 from RMB 18.3 million as at 31 December 2017. With the supply chain cooperation with Zhejiang Materials Industry Group Co., Ltd ("Zhejiang Materials Industry"), the Company was able to maintain a higher inventory level in order to take advantage of market price fluctuation. Turnover of finished goods was approximately 16 days for the period under review.

Trade and accrued receivables decreased by RMB 25.0 million to RMB 42.1 million as at 31 March 2018 from RMB 67.1 million as at 31 December 2017, mainly due to prompt collection of receivables from customers.

The increase in prepayment (current portion) by RMB 13.1 million from 7.4 million as at 31 December 2017 to RMB 20.6 million as at 31 March 2018, was mainly due to prepayment to suppliers during the financial quarter under review.

Bills and other receivables decreased by RMB 9.8 million to RMB 209.9 million as at 31 March 2018 from RMB 155.8 million as at 31 December 2017. Other receivables mainly comprised:

- (i) RMB 78.4 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) Advance to suppliers amounted to RMB 60.0 million;
- (iii) RMB 20 million of deposits paid to Zhejiang Materials Industry;
- (iv) Other receivables from lessees amounted to RMB 2.1 million;
- (v) Advance to staff (non-trade) of RMB 4.7 million;
- (vi) Advance to third parties (non-trade) of RMB 39.0 million;
- (vii) Non-trade amount extended to a local authority of RMB 2.8 million; and
- (viii) Rental and other deposit of RMB 2.7 million.

In terms of current liabilities, the Group's trade payables increased by RMB 42 million to RMB 147.0 million as at 31 March 2018 from RMB 105.0 million as at 31 December 2017 as the Group made lesser repayments to the suppliers.

Over the same period, short-term loans increased by RMB 15.0 million to RMB 1.15 billion as at 31 March 2018 from RMB 1.14 billion as at 31 December 2017. This was mainly due to partial bill payables being reclassified as short-term loans by the banks as at 31 March 2018.

Payables for the acquisition of PPE decreased by RMB 3.4 million to RMB 58.5 million as at 31 March 2018 from RMB 61.9 million as at 31 December 2017, mainly due to settlement with certain suppliers.

Other payables, liabilities and provision decreased by RMB 82.4 million to RMB 466.2 million as at 31 March 2018 from RMB 489.4 million as at 31 December 2017. As at 31 March 2018, other payables, liabilities and provision comprised:

- (i) Proceeds of interest-free loans from 2 state-owned entities amounting to RMB 255.2 million;
- (ii) Consultancy and guarantee fees due to a shareholder amounting to RMB 25.3 million;
- (iii) Interest payables amounted to RMB 145.7 million;
- (iv) Non-trade amounts due to five 3<sup>rd</sup> parties suppliers of RMB 4.6 million;
- (v) Non-trade advances of RMB 5.0 million extended by Mr Cao Xiangbin, a shareholder; and
- (vi) Other accrued operating costs payables of RMB 30.0 million (including salary and other operating expenses).

Bills payable decreased by RMB 17.6 million to RMB 0.01 million as at 31 March 2018 from RMB 17.6 million as at 31 December 2017 due to the settlement of the expired bills payables.

As at 31 March 2018, the Group reported a deficiency in net working capital amounting to RMB 1.5 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 decreased by RMB 11.4 million from RMB 16.0 million as at 31 December 2017 to RMB 4.6 million as at 31 March 2018, mainly due to cash inflows from operating activities amounting to RMB 11.5 million and cash outflow from payments of capital expenditures amounting to RMB 8.7 million. Cash outflows from financing activities amounted to RMB 14.1 million.

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

The 1QFY2018 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.

Since the second quarter for the financial year ended 31 December 2016, the production level has improved to full capacity. As at the date of announcement, total daily production volume of Huaxiang's spinning and polymerisation plant is approximately 960 tonnes, comprising approximately 600 tonnes of POY and FDY approximately 300 tonnes PET polyester chips and approximately 60 tonnes of DTY. The total number of employees of the Group is approximately 1,100.

#### Market Outlook

The Company believes that the macro-environment for the next twelve months remains challenging due to the slowing down of economic growth in the PRC economy, intense competition within the industry and rising production costs.

In view of the challenging business environment, the management will continue to take constructive measures to make sure the Group is able to sustain itself, including controlling operating costs and finance costs, and monitoring its receivables and collections closely.

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. As announced on 19 December 2016, Huaxiang had on 1 December 2016 entered into a framework supply chain cooperation agreement with Zhejiang Materials Industry, an independent third party, for a period of 3 years, commencing from 1 December 2016 to 31 December 2019. Such arrangement is believed to be in the interest of and of commercial benefits to the Group.

**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 by the Board of Directors pursuant to Rule 705(5)**

We, Lin Xingdi and Tham Wan Loong, Jerome, being two directors of the Company, wish to highlight that the preparation of the 1QFY2018 Results is subject to the Limitations set out in Item 5 of this announcement.

Subject to the above, we hereby confirm on behalf of the board of directors (“**Board**”) that, to the best of our knowledge, nothing has come to the attention of the Board which may render the financial results of the Company and the Group for the financial quarter ended 31 March 2018 to be false or misleading in any material aspect.

**15. 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

15 May 2018