



China Gaoxian Fibre Fabric Holdings Ltd.

SGXNET ANNOUNCEMENT
Unaudited Financial Statement and Dividend Announcement
For the Financial Period ended 31 March 2016

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 2016 ("1QFY2016") 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 first quarter ("1Q") ended 31 March 2016.

	Unaudited 01.01.16 to 31.03.16 3 months RMB'000	Unaudited 01.01.15 to 31.03.15 3 months RMB'000	Change %
Revenue	31,971	16,918	89.0
Cost of sales	(31,357)	(18,801)	66.8
Gross profit / (loss)	614	(1,883)	(132.6)
Other items of income			
Financial income	1,236	2,147	(42.4)
Other income	1,226	714	71.7
Other items of expense			
Selling and distribution expenses	(370)	(426)	(13.1)
General and administrative expenses	(48,860)	(24,100)	102.7
Financial expense	(46,519)	(46,742)	(0.5)
Loss before tax	(92,673)	(70,290)	31.8
Income tax	-	-	N.M
Net loss attributable to shareholders representing total comprehensive Loss for the period attributable to equity holders of the Company	(92,673)	(70,290)	31.8

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:

	01.01.16 to 31.03.16 (3 months) RMB'000	01.01.15 to 31.03.15 (3 months) RMB'000
Amortisation of land use rights prepayments	912	912
Amortisation of cost of preparation of land	416	416
Depreciation of property, plant and Equipment ("PPE")	33,307	9,464
Payroll and related expenses	4,512	5,324
Foreign exchange loss	28	(3,155)
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

	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	31.03.16	31.12.15	31.03.16	31.12.15
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Non-current assets				
Property, plant and equipment	1,511,550	1,530,276	–	–
Investment Property-Construction work-in-progress	154,681	154,060	–	–
Land use rights prepayments	151,235	152,146	–	–
Prepayments	55,988	55,988	–	–
Long term receivables	70,564	70,979	–	–
Investment in subsidiaries	–	–	–	–
	<u>1,944,018</u>	<u>1,963,449</u>	<u>–</u>	<u>–</u>
Current assets				
Land use rights prepayments	3,646	3,646	–	–
Inventories	21,200	36,357	–	–
Prepayments	–	15,984	–	–
Trade receivables	54,390	44,229	–	–
Bills and other receivables	254,288	261,173	–	–
Bank deposits pledged	260,521	238,056	–	–
Cash and cash equivalents	5,010	9,928	89	40
	<u>599,055</u>	<u>609,373</u>	<u>89</u>	<u>40</u>
Total Assets	<u>2,543,073</u>	<u>2,572,822</u>	<u>89</u>	<u>40</u>
Current liabilities				
Provision for income tax	(784)	(784)	–	–
Short term loans	(1,102,320)	(1,189,670)	–	–
Trade payables	(27,273)	(85,538)	–	–
Bills payables	(423,900)	(487,455)	–	–
Payables for the acquisition of property, plant and equipment	(53,354)	(63,290)	–	–
Obligations under finance leases	(21,497)	(44,821)	–	–
Other payables, liabilities, and provisions	(379,807)	(219,631)	(88,006)	(87,990)
	<u>(2,008,935)</u>	<u>(2,091,189)</u>	<u>(88,006)</u>	<u>(87,990)</u>
Net current liabilities	<u>(1,409,880)</u>	<u>(1,481,816)</u>	<u>(87,917)</u>	<u>(87,950)</u>
Non-current liabilities				
Long term bank loans	(561,000)	(432,000)	–	–
Obligations under finance leases	(26,576)	(10,398)	–	–
	<u>(587,576)</u>	<u>(442,398)</u>	<u>–</u>	<u>–</u>
Total Liabilities	<u>(2,596,511)</u>	<u>(2,533,587)</u>	<u>(88,006)</u>	<u>(87,990)</u>
Net Assets	<u>(53,438)</u>	<u>39,235</u>	<u>(87,917)</u>	<u>(87,950)</u>
Equity attributable to equity holders of the Company				
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	1,888,295	1,795,622	2,292,337	2,292,370
Total equity	<u>53,438</u>	<u>(39,235)</u>	<u>87,917</u>	<u>(87,950)</u>
Total equity and liabilities	<u>(2,543,073)</u>	<u>(2,572,822)</u>	<u>(89)</u>	<u>40</u>

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

	Group	
	Unaudited	Audited
	31.03.16	31.12.15
	RMB'000	RMB'000
Amount repayable in one year or less, or on demand		
- Secured	1,102,320	1,189,670
- Unsecured	—	—
	<u>1,102,320</u>	<u>1,189,670</u>
Amount repayable after one year		
- Secured	561,000	432,000
- Unsecured	—	—
	<u>561,000</u>	<u>432,000</u>
Secured obligations under finance leases		
- Current portion	21,497	44,821
- Non-current portion	26,576	10,398
	<u>48,073</u>	<u>55,219</u>

Details of any collateral

Bank loans and finance lease

As at 31 March 2016, 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.

	Group	
	Unaudited	Audited
	31.03.16	31.12.15
	RMB'000	RMB'000
Land use rights	154,881	155,792
Production, Office buildings, Construction work in progress and		
Machineries	490,071	502,036
	<u>644,952</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 31 March 2016, 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.

	Group	
	Unaudited	Audited
	31.03.16	31.12.15
	RMB'000	RMB'000
Bank deposits pledged	<u>260,521</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 first quarter ended 31 March 2016 ("1QFY2016")

	Unaudited 01.01.16 to 31.03.16 3 months RMB'000	Unaudited 01.01.15 to 31.03.15 3 months RMB'000
Loss before tax	(92,673)	(70,290)
Adjustments:		
Amortisation of land use rights prepayments	912	912
Amortisation of costs of preparation of land	416	416
Depreciation of property, plant and equipment	33,307	9,464
Interest expense	46,519	46,742
Interest income	(1,236)	(2,146)
Unrealised exchange loss / (gain), net	28	(3,155)
Operating loss before working capital changes	(12,727)	(18,057)
Decrease / (increase) in:		
Inventories	15,157	(5,853)
Prepayments	-	(33,695)
Trade and other receivables	12,706	14,512
Trade and other payables/ Other liabilities	(45,198)	10,406
Cash flows used in operations	(30,062)	(32,687)
Interest income received	1,236	2,147
Income tax paid	-	-
Net cash flows used in operating activities	(28,826)	(30,540)
Cash flows used in investing activity		
Purchase of property, plant and equipment	(25,851)	(94,015)
Net cash flows used in investing activity	(25,851)	(94,015)
Cash flows from / (used in) financing activities		
Proceeds from short-term financing loans	750,640	427,833
Repayment of short-term financing loans	(708,990)	(287,917)
Increase in bank deposits pledged	(22,465)	(26,996)
(Decrease) / increase in bills payable	(63,555)	19,004
Repayment of finance lease liabilities	(7,147)	(10,055)
Advances extended to lessees under operating leases	-	(300)
Proceeds of interest-free loans from certain government-linked entities	150,000	-
Interest expense paid	(48,724)	(44,103)
Net cash generated from financing activities	49,759	77,466
Net (decrease) in cash and cash equivalents	(4,918)	(47,089)
Cash and cash equivalents at beginning of financial period	9,928	66,473
Cash and cash equivalents at end of financial period (Note A)	5,010	19,384

Note to the unaudited consolidated cash flow statement

	31.03.2016	31.03.2015
	RMB'000	RMB'000
<u>Note A: Cash and cash equivalents</u>		
Cash and bank balances	265,531	314,283
Less: Bank deposits pledged	(260,521)	(294,899)
Cash and cash equivalents	<u>5,010</u>	<u>19,384</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 1QFY2016 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 2016	2,190,580	13,840	(369,563)	(1,795,622)	39,235
Loss net of tax represents total comprehensive income for the period	—	—	—	(92,673)	(92,673)
At 31 March 2016	2,190,580	13,840	(369,563)	(1,888,295)	(53,438)

<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 2015	2,190,580	13,840	(369,563)	(1,008,580)	826,277
Loss net of tax represents total comprehensive income for the period	—	—	—	(70,290)	(70,290)
At 31 March 2015	2,190,580	13,840	(369,563)	(1,078,870)	755,987

<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 2016	2,190,580	13,840	-	(2,292,370)	(87,950)
Loss net of tax represents total comprehensive income for the period	-	-	-	33	33
At 31 March 2016	2,190,580	13,840	-	(2,292,337)	(87,917)
<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 2015	2,190,580	13,840	-	(1,077,496)	1,126,924
Loss net of tax represents total comprehensive income for the period	-	-	-	(5,467)	(5,467)
At 31 March 2015	2,190,580	13,840	-	(1,082,963)	1,121,457

- 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.**

On 18 September 2014, the Company has allotted and issued:

- (a) 235,000,000 Shares to Fleur Growth Fund Limited ("Investor") at an issue price of S\$0.10 per Share, and
- (b) 1,137,500,000 free Warrants to all existing Shareholders (including the Investor).

On 21 November 2014, the Company has further allotted and issued 10 Shares pursuant to the exercise of 10 Warrants at the exercise price of S\$0.10 for each new Share.

The consolidation of every twenty (20) existing Shares registered in the name, or standing to the credit of the CDP securities account (as the case may be), of each Shareholder into one (1) Consolidated Share has been completed with effect from 9.00 a.m. on 23 June 2015.

The consolidation of every twenty (20) Outstanding Warrants held by Warrant holders into one (1) Consolidated Warrant with the adjusted Exercise Price of S\$2.00 has been completed with effect from 5.00 p.m. on 22 June 2015.

As at the date of the announcement, the Company has an issued and paid-up share capital comprises 113,749,997 Shares. Assuming that all of the remaining 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.

- 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.**

Company	Unaudited 31.3.2016	Audited 31.12.2015
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>

*After the completion of share consolidation on 23 June 2015.

- 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 31 March 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 1QFY2016 are as follows ("Limitations"):

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 described in the preceding paragraphs, the Company is unable to ascertain the impact, if any, on the 1QFY2016 financial results and there is no assurance that there are no material facts not known to the current management that may require the 1QFY2016 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	
	31.03.16	31.03.15
Loss per share ("LPS")		
Basic and diluted (RMB)	(0.81)	(0.62)

The Company had on 23 June 2015 consolidated 20 ordinary shares into 1 ordinary share in the capital of the Company and the weighted average number of ordinary shares used for the calculation of earnings per share as at 31 March 2015 had been adjusted for the effect of the share consolidation.

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 31.03.16	audited 31.12.15	Unaudited 31.03.16	audited 31.12.15
Net asset value per share (RMB Yuan)	(0.47)	0.34	(0.77)	(0.77)

The Company had on 23 June 2015 consolidated 20 ordinary shares into 1 ordinary share in the capital of the Company and the weighted average number of ordinary shares used for the net asset value per share as at 31 March 2015 had been adjusted for the effect of the share consolidation.

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 1QFY2016 FINANCIAL RESULTS

The Group's revenue for the first quarter ended 31 March 2016 ("1QFY2016") increased by 89% to RMB 32.0 million from RMB 16.9 million for the first quarter ended 31 March 2015 ("1QFY2015").

In 1QFY2016, 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 consists of sales of Drawn Textured Yarn ("DTY") of RMB 22.8 million (1QFY2015: RMB 16.9 million) and other filament yarns (i.e. FDY, POY) of RMB 9.1 million (1QFY2015: Nil). The sales of FDY, POY and PET chips were previously capitalised as part of CWIP. Although Huaxiang Plant has temporarily ceased production for overhaul during the quarter under review, from 1 January 2016, following the completion of testing phase for FDY, POY and PET chips, Huaxiang utilised and sold its remaining finished goods and recognised the corresponding sales into revenue, thus attributing to the overall increase in revenue.

Correspondingly, cost of sales also increased from RMB 18.8 million in 1QFY2015 to RMB 31.4 million in 1QFY2016. This resulted in a gross profit of RMB 0.6 million for 1QFY2016 compared to a gross loss of RMB 1.9 million for 1QFY2015. The gross profit was mainly due to the positive difference between the selling price of filament yarns (DTY, FDY & POY) finished goods and their unit cost.

Financial income in 1QFY2016 decreased by 42.4% to RMB 1.2 million from RMB 2.1 million in 1QFY2015, mainly due to lower interest rates imposed by banks during the 1QFY2016 compared to 1QFY2015.

Other income increased by 71.7% from RMB 0.7 million in 1QFY2015 to RMB 1.2 million in 1QFY2016, mainly comprising HG and NHW's operating leases rental fees, HX's scrap sales and few raw material business transactions.

Selling and distribution expenses, comprising of sales department's salaries and distribution costs, amounting to RMB 0.37 million for 1QFY2016 decreased by 13.1% compared to RMB 0.43 million in 1QFY2015. In 1QFY2016, the Group's sales department made adjustments to the salary policy resulting in a slight decrease in salary levels compared to the same period in FY2015.

General and administrative expenses in 1QFY2016 increased by 102.7% to RMB 48.9 million compared to RMB 24.2 million in 1QFY2015, mainly due to the depreciation of the Huaxiang Project's PPE from 1 January 2016 with the commencement of the actual production of the Huaxiang plant after its completed testing phase. The depreciation charge is RMB 24.7 million during the quarter under review.

Financial expenses in 1QFY2016 decreased by 0.5% to RMB 46.5 million compared to RMB 46.7 million in 1QFY2015. The Company 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 applicable lower official interest rate in 1QFY2016 compare to the same period in FY2015 resulting from the Central Bank's State Monetary Policy which was started since 22 November 2014 to support the development of enterprises in this tough business environment.

3 months ended 31 March 2016 ("1QFY2016")

The Group registered a loss of RMB 92.7 million for 1QFY2016. The higher loss before tax can be attributed to the depreciation amounting RMB 24.7 million of the Huaxiang Project's PPE since the commencement of the actual production. In addition, the high financial expense is also a factor of the net loss. The net loss would be RMB 21.5 million if such factors are being excluded.

Consolidated Balance Sheet

As at 31 March 2016, the Group's PPE amounted to RMB 1.51 billion as compared to RMB 1.53 billion as at 31 December 2015. The decrease was mainly due to the normal 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 154.9 million as at 31 March 2016, compared to RMB155.8 million as at 31 December 2015. The decrease was due to amortisation charge.

The investment property amounted to RMB 154.7 million as at 31 March 2016 compared to RMB 154.1 million as at 31 December 2015, mainly due to additional construction payments to the construction supplier. The office building is almost ready to use and the Group expects to obtain the building safety certificates from relevant Government Authority by the end of May 2016.

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 0.57 million. The slight increase was due to a new payment made during the quarter under review.

In terms of current assets, the Group's inventories decreased to RMB 21.2 million as at 31 March 2016 from RMB 36.4 million as at 31 December 2015. The decrease in inventories was mainly due to the sales of Huaxiang's finished goods selling during the shut-off-to-overhaul period starting from 1 January to mid April as announced previously. The finished goods turnover days for the quarter was 49 days.

Trade receivables increased to RMB 54.4 million as at 31 March 2016 from RMB 44.2 million as at 31 December 2015, mainly due to more credit sales made during 1QFY2016.

The decrease in prepayment (current portion) from RMB 16.0 million as at 31 December 2015 to Nil as at 31 March 2016, was mainly due to the company received suppliers goods delivery in the quarter under review.

Bills and other receivables decreased to RMB 254.3 million from RMB 261.2 million. Other receivables mainly comprising of:

- (i) RMB 170.4 million 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 in receivables from Huarong Asset Management Company for transferring the DiBang Group non-performance debts as announced previously;
- (iii) RMB 30.5 million deposit paid to the financial leasing lessor; and
- (iv) other receivables from lessees amounting to RMB 23.5 million.

In terms of current liabilities, the Group's trade payables decreased to RMB 27.3 million as at 31 March 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 decreased to RMB 1.10 billion from RMB 1.19 billion. During the quarter under review, the amendments to the repayment schedule of its long term loans in respect of the 4-year Syndicated Loan Facility amounting to RMB 405 million (RMB 11 million had been repaid out of RMB 416 million which had been drawn down) were concluded.

According to the revised repayment schedule, HX is only required to repay RMB 76 million in FY2016 instead of RMB 205 million. As such, the "current" portion of RMB 129 million short term loans was reclassified to "non-current" portion in the financial statements. Management is currently in talks with the consortium banks for a further revision to its repayment schedule on the Syndicated Loan Facility. The decrease can also be attributed to the repayment of some non-financial institution loans during the quarter under review.

Payables for the acquisition of PPE decreased to RMB 53.4 million as at 31 March 2016 from RMB 63.3 million as at 31 December 2015 mainly due to the settlement of payables to the equipments and the construction and equipments' suppliers.

Finance leases payable relates to the Equipment Finance Lease with Hua Rong Finance Lease Co., Ltd for the equipment finance lease arrangement. The decrease in finance lease payables was mainly due to quarterly repayments to the Lessor.

Other payables, liabilities and provision increased to RMB 379.8 million as at 31 March 2016 from RMB 219.6 million as at 31 December 2015. As at 31 March 2016, they comprised mainly of:

- (i) the advances extended from third parties amounting to RMB 7.6 million;
- (ii) two state-owned enterprises amounting to RMB 240.2 million;
- (iii) previous period accruals for guarantee (consultant) fee and unpaid directors fee/remuneration amounting to RMB 28.1 million; and
- (iv) accrued interest expenses amounting to RMB 55.8 million.

Bills payable decreased to RMB 423.9 million as at 31 March 2016 from RMB 487.5 million as at 31 December 2015 due to the Group's need for continued financial support for the Huaxiang Project and also the working capital requirements for starting the operations at the Huaxiang plant.

As at 31 March 2016, the Group reported a deficiency in net working capital amounting to RMB 1.4 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 from RMB 9.9 million as at 31 December 2015 to RMB 5.0 million as at 31 March 2016, mainly due to cash outflows from operating activities and the payments of capital expenditure amounting to RMB 28.8 million and RMB 25.9 million respectively, and cash inflow from financing activities amounting to RMB 49.8 million.

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

The 1QFY2016 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, in consideration of the factors mentioned below, the management had decided to temporary cease production for the PET, FDY and POY production lines on 30 December 2015 as :

- (i) the market situation was not profitable as expected till the end of March 2016, especially when the crude oil price continually declined and eventually impacted the filaments final good's prices during the fourth quarter under review;
- (ii) most staffs were going back to hometown by end of January 2016 due to the seasonal Chinese New Year festival; and
- (iii) there is a need for comprehensive maintenance as the Huaxiang Facilities had been running for almost 9 months continuously for trial production.

The Group had since resumed full production in 15 April 2016. As at the date of announcement, eight (8) POY production lines and eight (8) FDY production lines had been gradually launched. The current daily production capacity rates for PET chips, POY and FDY products are 40 tonnes, 300 tonnes and 240 tonnes respectively.

As at 31 March 2016, Phase 1 of Huaxiang project had a total contractual amount of approximately RMB 2.14 billion. To date, the Group has expended approximately RMB 2.01billion and a remaining RMB130.6 million is required to be paid for the Huaxiang Project.

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 old and new, and has been receiving a stable number of orders from repeat customers.

Although the Huaxiang plant has restarted production, 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 assistance and fund support, 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 recognized an impairment loss of RMB1.6 million in the statement of comprehensive income.

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

13 May 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 1QFY2016 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 31 March 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

13 May 2016