

**CHINA GAOXIAN FIBRE FABRIC HOLDINGS LTD.**

(中国高纤控股有限公司)

(Company Registration No. 200817812K)

(Incorporated in Singapore on 9 September 2008)

---

**PAST INTERESTED PERSON TRANSACTIONS**

---

**1. INTRODUCTION**

The Board of Directors ("**Board**") of China Gaoxian Fibre Fabric Holdings Ltd. ("**Company**" and together with its subsidiaries, "**Group**") refers to the announcements released in relation to the proposed disposal of the entire issued and paid-up share capital of Huaxiang China Gaoxian International Holdings Limited ("**Proposed Disposal**") which were released to the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 21 August 2018, 3 September 2018, 12 September 2018 and 23 January 2019 ("**Announcements**"). Unless otherwise defined, all capitalised terms used in this announcement shall bear the same meanings as ascribed to them in the Announcements.

In the preparation of the circular to seek the approval of the shareholders of the Company ("**Shareholders**") for the Proposed Disposal, the Company had discovered interested person transactions which had not been previously disclosed ("**Undisclosed IPTs**").

The Board wishes to inform Shareholders that the SGX-ST had requested the Company to disclose via SGXNet the Undisclosed IPTs in past years, quantifying any other subsisting interested person transactions that are undisclosed and to provide the Audit Committee's views on internal controls and lapses.

**2. IPTs**

The following Undisclosed IPTs were entered into between the Group and interested persons during the financial year ended 31 December 2016 ("**FY2016**"):

- (a) Lin Liangzhu (林良柱), a controlling Shareholder of the Company, made loans amounting to RMB 4,400,000 to Changle Guangda Trading Co., Ltd. (长乐广达贸易有限公司) ("**Guangda**") at an interest rate of 12% per annum ("**IPT 1**");
- (b) Fujian Changle Huachuang Micro Credit Co., Ltd. (福建省长乐华创小额贷款股份有限公司), an associate of the Company's controlling Shareholders, Lin Liangzhu (林良柱) and Ye Chunyan (叶春燕), made loans amounting to RMB 30,300,000 to Guangda at an interest rate of 12% per annum ("**IPT 2**"); and
- (c) Fuzhou Huayi International Trading Co., Ltd. (福州华易国际贸易有限公司) ("**Fuzhou Huayi International**"), an associate of the Company's controlling Shareholder, Ye Chunyan (叶春燕), entered into transactions with Zhejiang Huagang Polyester Industrial Co., Ltd. (浙江华港涤纶工业有限公司) ("**Zhejiang Huagang**") for the purchase and sale of raw materials and goods ("**IPT 3**").

Save as disclosed in all public announcements made by the Company, there are no other interested person transactions entered into between the Group and entities that are related to Cao Xiangbin (曹祥彬), a controlling Shareholder of the Company, in the past.

## 2.1 IPT 1

During FY2016, Lin Liangzhu (林良柱), a controlling Shareholder of the Company, made loans amounting to RMB 4,400,000 to Guangda, a subsidiary of the Company held through the Company's wholly-owned subsidiary, Zhejiang Huagang, at an interest rate of 12% per annum which is renewable yearly ("**IPT 1 Loan**").

The purpose for the IPT 1 Loan granted to Guangda by Lin Liangzhu (林良柱) is for the general working capital of the Group, in which the loan proceeds of RMB 2.0 million and RMB 2.4 million were used by the Company and Huaxiang China, respectively.

Under the Listing Manual of the SGX-ST ("**Listing Manual**"), Lin Liangzhu (林良柱), being a controlling Shareholder of the Company, is an interested person in relation to the Company within the meaning of Rule 904(4) of the Listing Manual. Accordingly, the IPT 1 Loan between Guangda as an "entity at risk" and Lin Liangzhu (林良柱) as an "interested person" would constitute an interested person transaction under Chapter 9 of the Listing Manual.

Lin Liangzhu (林良柱) owns 100% of the voting shares in Orient Fame (Asia) Limited. Orient Fame (Asia) Limited is a 53.4% shareholder of Fleur Growth Fund Limited. Fleur Growth Fund Limited holds 29,996,214 ordinary shares in the Company ("**Shares**"), representing 26.37% of the issued and paid-up Share capital of the Company. By virtue of Section 4 of the Securities and Futures Act, Chapter 289 of Singapore, Lin Liangzhu (林良柱) is deemed interested in the Shares held by Fleur Growth Fund Limited through his shareholdings in Orient Fame (Asia) Limited.

The interest payable on the IPT 1 Loan is set out as follows:

No.	Financial Year ended 31 December (FY)	Amount of Interest (RMB'000)	% of Group's Net Tangible Assets (NTA)	Principal Amount Outstanding as at 31 December (RMB'000)
1.	FY2016	18	% of Group's NTA for FY2015: <u>0.049%</u>  (RMB18,000 / RMB39,235,000)	4,400
2.	FY2017	528	% of Group's NTA for FY2016: <u>0.17%</u>  (RMB528,000 / RMB314,814,000)	4,400
3.	FY2018	264	% of Group's NTA for FY2017: <u>0.06%</u>  (RMB264,000 / RMB429,839,000)	-

The IPT1 Loan amount was disclosed at pages 83 to 85 of the annual report for FY2016 and the audited consolidated financial statements of the Group for FY2016. The interest amount payable for FY2016, FY2017 and FY2018 were disclosed at pages 86 to 87 of the annual report and the audited consolidated financial statements of the Group for FY2016, FY2017 and FY2018.

The amount of interest as set out in the table above fluctuates notwithstanding that the interest rate is 12% per annum due to different borrowing periods.

The principal loans amounting to RMB 4,400,000 have been fully repaid on 3 July 2018 using the Company's internal resources and bank borrowings, and to-date no interest payments have been paid by Guangda to Lin Liangzhu (林良柱). Accordingly, the value of the IPT 1 Loan for FY2016, 2017 and 2018 is zero and is not subject to the disclosure requirements pursuant to Chapter 9 of the Listing Manual.

The Audit Committee of the Company has considered the terms and rationale for the IPT 1, and is of the view that IPT 1 is on normal commercial terms, and is not prejudicial to the interests of the Company and its minority shareholders.

## 2.2 IPT 2

During FY2016, Fujian Changle Huachuang Micro Credit Co., Ltd. (福建省长乐华创小额贷款股份有限公司), an associate of the Company's controlling Shareholders, Lin Liangzhu (林良柱) and Ye Chunyan (叶春燕), made loans amounting to RMB 30,300,000 to Guangda at an interest rate of 12% per annum which is renewable yearly ("**IPT 2 Loan**").

The purpose for the IPT 2 Loan granted to Guangda by Fujian Changle Huachuang Micro Credit Co., Ltd. (福建省长乐华创小额贷款股份有限公司) is for the working capital of the Group.

Under the Listing Manual, at the relevant time periods when the loans were made to Guangda:

- (a) Lin Liangzhu (林良柱) is deemed interested in 22.75% of the shareholdings of Fujian Changle Huachuang Micro Credit Co., Ltd. (福建省长乐华创小额贷款股份有限公司) held by Fujian Huawei Fabric Fibre Co., Ltd. (福建华威化纤有限公司) ("**Fujian Huawei Fabric**") by virtue of his 97.83% shareholdings in Fujian Huawei Fabric.
- (b) Ye Chunyan (叶春燕) is deemed interested in 10% of the shareholdings of Fujian Changle Huachuang Micro Credit Co., Ltd. (福建省长乐华创小额贷款股份有限公司) held by Fuzhou Huayi International by virtue of her 95% shareholdings in Fuzhou Huayi International.
- (c) Lin Liangzhu (林良柱) and Ye Chunyan (叶春燕) are husband and wife.
- (d) Collectively, Lin Liangzhu (林良柱) and Ye Chunyan (叶春燕) hold 32.75% interest in Fujian Changle Huachuang Micro Credit Co., Ltd. (福建省长乐华创小额贷款股份有限公司). Accordingly, Fujian Changle Huachuang Micro Credit Co., Ltd. (福建省长乐华创小额贷款股份有限公司) is an associate of the Company's controlling Shareholders, Lin Liangzhu (林良柱) and Ye Chunyan (叶春燕).
- (e) Consequently, Fujian Changle Huachuang Micro Credit Co., Ltd. (福建省长乐华创小额贷款股份有限公司) is an "interested person" pursuant to Rule 904(4)(a)(ii) of the Listing Manual. The IPT 2 Loan between Guangda as an "entity at risk" and Fujian Changle Huachuang Micro Credit Co., Ltd. (福建省长乐华创小额贷款股份有限公司) as an "interested person" would constitute an interested person transaction under Chapter 9 of the Listing Manual.

In addition, prior to 19 January 2019, Lin Xingdi, the Company's Executive Director and Chief Executive Officer, was an executive director of Fujian Changle Huachuang Micro Credit Co., Ltd. (福建省长乐华创小额贷款股份有限公司).

Fujian Changle Huachuang Micro Credit Co., Ltd. (福建省长乐华创小额贷款股份有限公司) does not hold any Shares.

The interest payable on the IPT 2 Loan is set out as follows:

No.	Financial Year ended 31 December (FY)	Amount of Interest (RMB'000)	% of Group's Net Tangible Assets (NTA)	Principal Amount Outstanding as at 31 December (RMB'000)
1.	FY2016	2,737	% of Group's NTA for FY2015: <u>6.9%</u>  (RMB2,737,000 / RMB39,235,000)	30,300
2.	FY2017	3,636	% of Group's NTA for FY2016: <u>1.15%</u>  (RMB3,636,000 / RMB314,814,000)	30,300
3.	FY2018	1,908	% of Group's NTA for FY2017: <u>0.85%</u>  (RMB3,636,000 / RMB429,839,000)	-

The IPT2 Loan amount was disclosed at pages 83 to 86 of the annual report for FY2016 and the audited consolidated financial statements of the Group for FY2016. The interest amount payable for FY2016, FY2017 and FY2018 were disclosed at pages 86 to 87 of the annual report and the audited consolidated financial statements of the Group for FY2016, FY2017 and FY2018.

The principal loans amounting to RMB 30,300,000 have been fully repaid on 9 July 2018, and to-date no interest payments have been paid by Guangda to Fujian Changle Huachuang Micro Credit Co., Ltd. (福建省长乐华创小额贷款股份有限公司). Accordingly, the value of the IPT 2 Loan for FY2016, 2017 and 2018 is zero and is not subject to the disclosure requirements pursuant to Chapter 9 of the Listing Manual.

The Audit Committee of the Company has considered the terms and rationale for the IPT 2, and is of the view that IPT 2 is on normal commercial terms, and is not prejudicial to the interests of the Company and its minority shareholders.

## 2.3 IPT 3

During FY2016, Fuzhou Huayi International, an associate of the Company's controlling Shareholder, Ye Chunyan (叶春燕), entered into transactions with Zhejiang Huagang, a wholly-owned subsidiary of the Company, for the purchase and sale of raw materials and goods, such as PTA, FDY, POY and DTY to be used in the ordinary course of business.

The Company's controlling Shareholder, Ye Chunyan (叶春燕), holds 95% of the shareholdings in Fuzhou Huayi International. As Ye Chunyan (叶春燕) has an interest of more than 30% in Fuzhou Huayi International, Fuzhou Huayi International is an associate of Ye Chunyan (叶春燕) under the Listing Manual. Accordingly, Fuzhou Huayi International is an "interested person" pursuant to Rule 904(4)(a)(ii) of the Listing Manual. Consequently, the transactions between Zhejiang Huagang as an "entity at risk" and Fuzhou Huayi International

as “interested person” would constitute an interested person transaction under Chapter 9 of the Listing Manual.

Fuzhou Huayi International does not hold any Shares.

The value of advances for the purchase and sale of raw materials and goods between Fuzhou Huayi International and Zhejiang Huagang are as follows:

No.	Financial Year ended 31 December (FY)	Value of Advances for the Purchase and Sale of Raw Materials and Goods (RMB'000)	% of Group's Net Tangible Assets (NTA)	Date On Which The Advances Were Utilised
1.	FY2016	Nil	Nil	Nil
2.	FY2017	63,532	% of Group's NTA for FY2016: <u>20%</u>  (RMB 63,532,000 / RMB 314,814,000)	Nil
3.	FY2018	Nil	Nil	(a) Utilised RMB31.65 million for raw material purchases in June 2018  (b) Unutilized amount of RMB31.97 million has been fully settled in December 2018

The terms of the IPT3 were not reported in the annual reports and financial statements of the Company, as the IPT3 was not disclosed at the point of time when it was entered into as the interested person relationship was not disclosed by the Company's controlling Shareholder. The interested person for IPT3, Fuzhou Huayi International, is an associate of the controlling Shareholder and is not a Director of the Company.

All amounts between Fuzhou Huayi International and Zhejiang Huagang have been settled as at 31 December 2018. The receivables owing to the Huagang Group would be assigned as part of the Proposed Disposal.

With respect to FY2016, FY2017 and FY2018, other than advances paid, the following sales or purchase transactions were carried out between Fuzhou Huayi International and Zhejiang Huagang:

No.	Financial Year	Total purchases (RMB'million)	Quantity (tonnes)
1.	FY2016	Nil	Nil
2.	FY2017	Nil	Nil
3.	FY2018	RMB31.56 million (or an average price of RMB10,663 per tonnes)	2,960 tonnes DTY

100% of the delivery of raw materials and goods between Fuzhou Huayi International and Zhejiang Huagang was made pursuant to the abovementioned advances paid for the purchase and sale of raw materials and goods between Fuzhou Huayi International and Zhejiang Huagang, representing 49.7% of the total advances paid in FY2017.

The Audit Committee of the Company has considered the terms of the IPT3, including the value of the advances, and is of the view that IPT3 is on normal commercial terms, consistent with the Group's usual business practices and policies which are generally no more favourable than those extended to unrelated third parties, and not prejudicial to the interests of the Company and its minority Shareholders, taking into account the suitability, quality and cost of the product or service and the experience and expertise of the supplier.

### 3. AUDIT COMMITTEE STATEMENT AND VIEWS

#### 3.1 Terms of the Undisclosed IPTs

The Audit Committee of the Company has considered the terms and rationale for the Undisclosed IPTs, including the credit terms, and is of the view that the Undisclosed IPTs, including the credit terms, are on normal commercial terms extended to or by (as the case may be) unrelated third parties or otherwise in accordance with applicable industry norms, and are not prejudicial to the interests of the Company and its minority Shareholders.

#### 3.2 Views on Internal Controls and Lapses

The lapses in the disclosure of the Undisclosed IPTs by the Company were unintentional and due to inadvertent oversight of the management of the Company during the period which the Undisclosed IPTs were to be disclosed. The interested persons are the controlling Shareholders and/or their associates and are not the Directors of the Company.

In respect of the above Undisclosed IPTs which have since concluded, the Audit Committee is of the view that no further action would be necessary due to the following reasons:

- (a) such past Undisclosed IPTs were concluded and cannot be reversed, and there cannot be said to be any current or on-going risk arising from such past transactions; and
- (b) there was no prejudice to the Shareholders under the past Undisclosed IPTs as the transactions comprise transactions which were given to support the business and operations of the Group, which were carried out in the interest of the Company:
  - (i) the shareholders' loans given by the controlling Shareholders to the Group have since been repaid in accordance with their terms; and
  - (ii) the purchase and sale of raw materials and goods was required in the ordinary course of business of the Group.

Since FY2016, the Audit Committee meets quarterly to discuss and review, *inter alia*, the following:

- (a) interested person transactions involving the Group in accordance with the Listing Manual;
- (b) review and monitor the conflicts of interest positions of our Directors, controlling shareholders or their respective associates;
- (c) review the effectiveness and adequacy of the internal accounting and financial control procedures; and
- (d) generally undertake such other functions and duties as may be required by the Listing Manual.

Apart from the above functions, the Audit Committee will also commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls, or infringement of any law, rule or regulation which has or is likely to have a material impact on the Company's operating results or financial position.

The review procedures for interested person transactions, where relevant, are as follows:

- (a) In relation to any purchase of products or procurement of services from interested persons above S\$100,000, quotes from at least two unrelated third parties in respect of the same or substantially similar type of transactions are to be used as bases for comparison wherever possible. The purchase price or procurement price shall not be higher than the most competitive price of the two comparative prices from the two unrelated third parties. The Audit Committee will review the comparables, taking into account, the suitability, quality and cost of the product or service and the experience and expertise of the supplier.
- (b) In relation to any sale of products or provision of services to interested persons above S\$100,000, the price and terms of two other completed transactions of the same or substantially similar type of transactions with unrelated third parties are to be used as bases for comparison wherever possible. The interested persons shall not be charged at rates lower than those charged to the unrelated third parties.
- (c) All interested persons transactions above S\$100,000 are to be approved by a Director who shall not be an interested person in respect of the particular transaction. Any contracts to be made with an interested person shall not be approved unless the pricing is determined in accordance with the Company's usual business practices and policies, consistent with the usual margin given or price received by the Company for the same or substantially similar type of transactions between the Company and unrelated third parties and the terms are no more favourable than those extended to or received from unrelated third parties.

Rule 719(1) of the Listing Manual states that an issuer should have adequate and effective systems of internal controls (including financial, operational, compliance and information technology controls) and risk management systems. The audit committee may commission an independent audit on internal controls and risk management systems for its assurance, or where it is not satisfied with the systems of internal controls and risk management.

The Group has outsourced its internal audit function to Baker Tilly Consultancy (Singapore) Pte Ltd ("**Baker Tilly**"). Baker Tilly carries out a review of the Group's risks assessments and the effectiveness of the Group's material internal controls to address the identified risks based on an internal audit plan approved by the Audit Committee. This is done in consultation with, but independent of the management of the Company. Any material non-compliance or weaknesses noted in internal controls, including recommendations for improvements, are reported to the Audit Committee.

A Risk Management Committee ("**RMC**") comprising the following members of the management of the Company was set up to identify, assess and manage the risks of the Group:

- (a) Mr Lin Xingdi, Chief Executive Officer (CEO);
- (b) Mr Lin Shawn Xiang, Financial Controller (replaced by Mr Wong Kai Yin, Daniel, Chief Financial Officer (CFO) since 28 August 2018); and
- (c) Mr Tham Wan Loong, Jerome, Executive Director.

The RMC will hold meetings, as and when necessary, and the members of the Audit Committee are invited to attend the RMC meetings should they wish to attend. The Audit Committee with the assistance of the RMC, internal and external auditors of the Company, reviews the adequacy and effectiveness of the Company's internal financial controls, operational, information technology and compliance controls, and risk management policies and internal controls systems established by the management of the Company on an annual basis.

The Audit Committee reviews the Internal Audit Report and internal/external auditors' comments to ensure that there are adequate internal controls in the Group and implement follow up actions from the last audit reviews, if any. The Audit Committee will also ensure that recommendations by the internal and external auditors of the Company, arising from the audits be followed up and implemented by the management of the Company at the next audit reviews or within the timeline stipulated in the respective audit reports.

Further details of the Company's internal controls may be found in the corporate governance reports of the Company which have been published on the SGX-Net.

With respect to the Undisclosed IPTs, it was due to an inadvertent oversight and there were no material non-compliance or weaknesses noted in internal controls relating to interested person transactions during the period when the Undisclosed IPTs occurred, including recommendations for improvements which were reported to the Audit Committee.

The Company will, on a continuing basis, endeavour to further enhance and improve the Group's system of internal controls and risk management policies.

Rule 719(2) of the Listing Manual states that if the audit committee of an issuer becomes aware of any suspected fraud or irregularity, or suspected infringement of any Singapore laws or regulations or rules of the SGX-ST or any other regulatory authority in Singapore, which has or is likely to have a material impact on the issuer's operating results or financial position, the audit committee must discuss such matter with the external auditor and, at an appropriate time, report the matter to the board.

With respect to the Undisclosed IPTs, the Audit Committee is not aware of any suspected fraud or irregularity, or suspected infringement of any Singapore laws or regulations or rules of the SGX-ST or any other regulatory authority in Singapore, which has or is likely to have a material impact on the Company's operating results or financial position.

Rule 719(3) of the Listing Manual states that an issuer must establish and maintain on an ongoing basis, an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Audit Committee will review the adequacy of the internal audit function annually to ensure that the internal audit function is sufficiently resourced and is able to perform its function effectively and objectively.

The Audit Committee is satisfied that Baker Tilly is adequately resourced and has the appropriate standing and expertise to undertake its activities independently and objectively during the period in which the Undisclosed IPTS were entered into.



The Audit Committee is of the view that the Company's present internal controls are adequate and sufficient for the reasons stated above and the inadvertent oversight was mainly due to inadequate system support and human errors. The Audit Committee will work with the management of the Company and internal auditors of the Company to identify the reasons for the lapses in the disclosure of the Undisclosed IPTs, take the necessary steps to rectify these inadequacies and ensure that the management of the Company continuously maintain the mandatory standard operating procedures.

Save for the Undisclosed IPTs as disclosed above, there are no other Undisclosed IPTs prior to the financial year ended 31 December 2015.

#### **4. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

Save as disclosed in this announcement and their respective shareholdings in the Company, to the best of the Directors' knowledge, none of the Directors or controlling Shareholders of the Company have any interest, direct or indirect, in the Undisclosed IPTs.

#### **BY ORDER OF THE BOARD**

Tham Wan Loong, Jerome  
Executive Director  
9 May 2019