

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)

QUARTERLY UPDATE PURSUANT TO RULE 1313(2) OF THE LISTING MANUAL

China Gaoxian Fibre Fabric Holdings Ltd. (the “Company”) was placed on the watch-list under financial entry criteria pursuant to Rule 1311(1) of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”) with effect from 3 March 2016. The Company was placed on the watch-list under minimum trading price entry criteria pursuant to Rule 1311(2) of the Listing Manual of the SGX-ST with effect from 5 June 2017.

Pursuant to Rule 1313(2) of the Listing Manual of the SGX-ST, the Board of Directors (the “Board”) of the Company wishes to provide the following updates:

Update on the Group’s financial situation

The Group’s revenue for the second quarter ended 30 June 2018 (“2QFY2018”) increased by RMB 201.1 million or 40.53% to RMB 697.3 million from RMB 496.2 million for the second quarter ended 30 June 2017 (“2QFY2017”). In 2QFY2018, 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 92.64 million, FDY of RMB 573.28 million, POY of RMB 323.67 million and PET Chips of RMB 425.12 million and revenue generated from share of profit from Supply Chain Cooperation Agreement with Zhejiang Materials of RMB 30.45 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 213.9 million from RMB 473.5 million in 2QFY2017 to RMB 687.4 million in 2QFY2018. This resulted in a gross profit of RMB 9.8 million for 2QFY2018 compared to a gross profit of RMB 22.6 million for 2QFY2017. The gross profit was mainly due to higher production cost occurred.

The Group reported a net loss of RMB 60.9 million.

As at 30 June 2018, the cash and cash equivalents was RMB 28.4 million.

For more details on the financial position of the Company, please refer to the 2QFY2018 Results Announcement.

Update on Future Direction

As announced previously, the Group had resumed production in 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 1,000 tonnes, comprising approximately 700 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.

The Company believes that the macro-environment for the next twelve months is likely to remain challenging due to the ongoing uncertainties in the global economy and the slowdown in the PRC economy.

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, 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.

Although the Huaxiang Plant has restarted production, the management believes that the market situation is still challenging.

In addition, Huaxiang (China) Premium Fibre Co., Ltd ("**Huaxiang China**") has been included in the list of local enterprises shortlisted by the People's Government of Huzhou City to receive financial assistance from its principal bankers. This is part of the government wide initiatives to assist local enterprises who are facing financial difficulties. An official circular was jointly issued by the relevant government authorities to notify Huaxiang China that the government agencies have issued specified guidelines to their respective principal bankers to provide the necessary reasonable financial assistance, including but not limited to, restructuring of the existing bank loans drawn down by the local enterprises.

With these concrete measures to handle the situation, including cooperation with Zhejiang Materials Industry (a Fortune 500 company), negotiation with the local government and banks for more assistance and fund support, postponing the repayment of bank loans interests and principal, as well as internal cost-saving programs, the management believes that the Group will be able to sustain itself with these efforts. Nonetheless, the management continues to remain cautious and conservative in its outlook.

Save for the above and as previously announced, there are no other material developments that may have a significant impact on the financial position of the Company or on its future direction.

The Board wishes to inform shareholders that it is still determining the most appropriate and best course of corporate action to take in order to meet the minimum trading price exit criterion set out under Rule 1314(2) of the SGX-ST Listing Manual. The Board will update shareholders on any material developments in due course and the Company will make further announcements as and when there are any subsequent developments.

BY ORDER OF THE BOARD

Tham Wan Loong, Jerome
Executive Director
14 August 2018