

CHINA GAOXIAN FIBRE FABRIC HOLDINGS LTD.

(中国高纤控股有限公司)

("Company")

(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 pursuant to Rule 1311 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") with effect from 3 March 2016.

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 2016 ("2QFY2016") increased by RMB 222.1 million or 511.5% to RMB 265.5 million from RMB 43.4 million for the second quarter ended 30 June 2015 ("2QFY2015"). The total revenue consists of DTY of RMB 35.5 million, FDY of RMB 100.0 million, POY of RMB 94.5 million and PET Chips of RMB 35.4 million (2QFY2015: DTY sales amounted to RMB 16.9 million and the sales of FDY, POY and PET chips amounted RMB 233.0 million were previously capitalised as part of Construction work-in-progress ("CWIP") during testing phase). HuaXiang Plant had completed the testing phase for FDY, POY and PET chips in 1QFY2016 and the increase in revenue was mainly due to the resumption of full production capacity during the financial quarter under review.

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

The Group reported a net loss of RMB 64.9 million.

As at 30 June 2016, the cash and cash equivalents was RMB 298.7 million.

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.

During 2QFY2016, the production level has been improved to full capacity. As at the date of announcement, Huaxiang spinning and polymerization plant's daily output is about 630 tonnes. With 8 POY production lines and 8 FDY production lines functioning normally, the total production volume is about 530 tonnes per day. The daily output of PET polyester chips is about 100 tonnes.

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, 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.

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 this initiative, the management was successful in concluding the amendments to the repayment terms of the 4-year Syndicated Loan Facility amounting to RMB 405. Under the revised repayment terms, Huaxiang China is only required to repay RMB 76 million in FY2016 instead of RMB 205 million. The management is currently in talks with the consortium banks for a further revision to its repayment schedule on the Syndicated Loan Facility.

With these concrete measures to handle the situation, including 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.

BY ORDER OF THE BOARD

Tham Wan Loong, Jerome
Executive Director
12 August 2016