



China Gaoxian Fibre Fabric Holdings Ltd.

SGXNET ANNOUNCEMENT
Unaudited Quarter Financial Statement and Dividend Announcement For the
Financial Period ended 30 September 2014

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 for the 3 months("3QFY2014")and nine months ("9MFY2014") ended 30 September2014 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 third quarter ("3Q") ended 30 September 2014.

	Unaudited 3Q ended			Unaudited 9 months ended		
	30.09.14 RMB'000	30.09.13 RMB'000	Change %	30.09.14 RMB'000	30.09.13 RMB'000	Change %
Revenue	17,613	59,819	(70.6)	63,567	216,593	(70.7)
Cost of sales	(21,602)	(63,386)	(65.9)	(73,164)	(231,828)	(68.4)
Gross loss	(3,989)	(3,567)	11.8	(9,597)	(15,235)	(37.0)
Other items of income						
Financial income	3,007	1,621	85.4	5,813	3,828	51.9
Other income	344	4,561	(92.5)	23,983	7,276	229.6
Other items of expense						
Selling and distribution expenses	(585)	(869)	(32.7)	(2,415)	(1,825)	32.3
General and administrative expenses	(26,897)	(23,132)	16.3	(90,904)	(50,940)	78.5
Financial expense	(36,204)	(30,306)	19.5	(100,610)	(53,864)	(86.8)
Loss before tax	(64,324)	(51,692)	24.4	(173,730)	(110,760)	56.9
Income tax	(122)	(166)	(26.5)	(382)	(881)	(56.6)
Net loss attributable to shareholders representing total comprehensive income for the period attributable to equity holders of the Company	(64,446)	(51,858)	24.3	(174,112)	(111,641)	56.0

- 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:

	Group			
	3Q ended		9months ended	
	Unaudited		Unaudited	
	30.09.14	30.09.13	30.09.14	30.09.13
	RMB'000	RMB'000	RMB'000	RMB'000
Amortisation of land use rights	912	912	2,735	2,735
Amortisation of cost of preparation of land	417	417	1,250	1,250
Depreciation of property, plant and equipment	7,905	8,178	23,733	24,416
Payroll and related expenses	1,868	4,793	15,693	19,682
Unrealized foreign exchange, net	(2,180)	151	(804)	69
Operating lease expenses	3,000	3,000	9,000	9,000

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 30.09.14 RMB'000	Audited 31.12.13 RMB'000	Unaudited 30.09.14 RMB'000	Audited 31.12.13 RMB'000
Assets				
Non-current assets				
Property, plant and equipment	2,127,712	1,846,560	–	–
Land use rights	156,704	159,438	–	–
Prepayments	169,360	167,555	–	–
Long term receivables	–	–	930,390	930,390
Investment in subsidiaries	–	–	271,772	271,772
	<u>2,453,776</u>	<u>2,173,553</u>	<u>1,202,162</u>	<u>1,202,162</u>
Current assets				
Land use rights	3,646	3,646	–	–
Inventories	8,265	28,941	–	–
Prepayments	5,250	1,331	–	–
Trade receivables	60,421	70,445	–	–
Bills and other receivables	309,604	156,835	–	60
Bank deposits pledged	385,800	303,870	–	–
Cash and cash equivalents	10,972	7,966	27	267
	<u>783,958</u>	<u>573,034</u>	<u>27</u>	<u>327</u>
Total Assets	<u>3,237,734</u>	<u>2,746,587</u>	<u>1,202,189</u>	<u>1,202,489</u>
Current liabilities				
Provision for income tax	(784)	(784)	–	–
Short term bank loans	(615,549)	(760,669)	–	–
Trade payables	(24,790)	(42,217)	–	–
Bills payables	(652,357)	(547,861)	–	–
Payables for the acquisition of property, plant and equipment	(200,853)	(205,248)	–	–
Financial lease liabilities	(53,691)	–	–	–
Amounts due to subsidiaries (non-trade)	–	–	(51,692)	(33,666)
Other payables, liabilities, and provisions	(109,582)	(142,431)	(6,830)	(2,947)
	<u>(1,657,606)</u>	<u>(1,699,210)</u>	<u>(58,522)</u>	<u>(36,613)</u>
Net current liabilities	<u>(895,348)</u>	<u>(1,126,176)</u>	<u>(58,495)</u>	<u>(36,286)</u>
Non-current liabilities				
Long term bank loans	(638,000)	–	–	–
Financial lease liabilities	(68,861)	–	–	–
	<u>(706,861)</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total Liabilities	<u>(2,364,467)</u>	<u>(1,699,210)</u>	<u>(58,522)</u>	<u>(36,613)</u>
Net Assets	<u>873,267</u>	<u>1,047,377</u>	<u>1,143,667</u>	<u>1,165,876</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	961,590	787,480	1,060,753	1,038,544
Total equity	<u>(873,267)</u>	<u>(1,047,377)</u>	<u>(1,143,667)</u>	<u>(1,165,876)</u>
Total equity and liabilities	<u>(3,237,734)</u>	<u>(2,746,587)</u>	<u>(1,202,189)</u>	<u>(1,202,489)</u>

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

	Group	
	Unaudited 30.09.14 RMB'000	audited 31.12.13 RMB'000
Amount repayable in one year or less, or on demand		
- Secured	351,017	760,669
- Unsecured	264,532	–
	<u>615,549</u>	<u>760,669</u>
Amount repayable after one year		
- Secured	638,000	–
- Unsecured	–	–
	<u>638,000</u>	<u>–</u>

Details of any collateral

Short term bank loans

As at 30 September 2014, the short term bank loans are secured by pledge of land use right, production and office building, corporate guarantee from two third parties and personal guarantee from a shareholder, Cao Xiangbin. The carrying amounts of assets pledged are disclosed below.

	Group	
	Unaudited 30.09.14 RMB'000	audited 31.12.13 RMB'000
Land use rights	160,350	163,084
Production, Office buildings, Construction in Progress and Machineries	656,739	315,278
	<u>817,089</u>	<u>478,362</u>

Bills payable to banks

The bills payable to banks have an average maturity period of 90 to 180 days and are interest-free as repayments were made within the credit periods granted. As at 30 September 2014, the bills payable to banks are secured by pledge of bank deposits and corporate guarantee from an unrelated third party and personal guarantee from a shareholder, Cao Xiangbin. The carrying amounts of assets pledged are disclosed below.

	Group	
	Unaudited 30.09.14 RMB'000	audited 31.12.13 RMB'000
Bank deposits pledged	<u>385,800</u>	<u>303,870</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 third quarter ended 30 September 2014("3QFY2014")

	Group			
	3Q ended Unaudited		9 months ended Unaudited	
	30.09.14 RMB'000	30.09.13 RMB'000	30.09.14 RMB'000	30.09.13 RMB'000
Loss before tax	(64,324)	(51,692)	(173,730)	(110,760)
Adjustments:				
Amortisation of land use rights	912	912	2,735	2,735
Amortisation of costs of preparation of land	417	417	1,250	1,250
Depreciation of property, plant and equipment	7,905	8,178	23,733	24,416
Interest expense	33,963	30,306	96,114	53,864
Interest income	(3,006)	(1,621)	(5,813)	(3,828)
Foreign exchange difference	(2,180)	–	(804)	–
Operating loss before working capital changes	(26,313)	(13,500)	(56,515)	(32,323)
Increase/ (decrease) in:				
Inventories	12,616	(7,211)	20,676	(10,901)
Prepayments	–	(2,073)	–	(17,277)
Trade and other receivables	(30,524)	(78,804)	(35,708)	(119,230)
Increase/ (decrease) in:				
Trade and other payables/ other liabilities	(3,194)	51,658	(21,365)	105,051
Cash flows used in operations	(47,415)	(49,930)	(92,912)	(74,680)
Interest income received	3,007	1,621	5,813	3,828
Interest expense paid	(34,860)	(30,306)	(96,114)	(53,864)
Income taxes paid	(176)	(67)	(382)	(1,067)
Net cash flows (used in) from operating activities	(79,444)	(78,682)	(183,595)	(125,783)
Cash flows used in investing activities				
Purchase of property, plant and equipment				
Prepayments made in respect of acquisition of property, plant and equipment	(48,698)	(127,422)	(181,887)	(521,462)
Net cash flows generated from/ (used in) investing activities	(48,698)	(127,422)	(181,887)	(521,462)
Cash flows from financing activities				
Proceeds from short term financing loans	174,973	415,706	1,423,289	1,410,216
Repayment of short term financing loans	(220,634)	(405,300)	(1,330,409)	(1,011,600)
Purchase of non-performing assets from Huarong	–	–	(83,905)	–
Increase in share capital (net of introducer fees)	–	112,264	–	112,264
Proceeds from long term financing loans	67,000	–	400,000	–
Decrease/ (increase) in bank deposits pledged	67,700	(57,385)	(81,930)	(161,159)
Repayment of finance lease liabilities	(13,423)	–	(30,177)	–
Loan to lessee	(21,700)	–	(21,700)	–
Repayment of guarantee fee to a shareholder	(11,176)	–	(11,176)	–
(Decrease)/increase in bills payable	(70,657)	279,208	104,496	433,809
Net cash (used in)/ generated from financing activities	(27,917)	344,493	368,488	783,530
Net (decrease)/increase in cash and cash equivalents	(156,059)	138,389	3,006	136,345
Cash and cash equivalents at beginning of financial period	167,031	14,494	7,966	16,538
Cash and cash equivalents at end of financial period (Note A)	10,972	152,883	10,972	152,883

- 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 3QFY2014 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 2014	2,190,580	13,840	(369,563)	(787,480)	1,047,377
Loss net of tax represents total comprehensive income for the period	—	—	—	(65,908)	(65,908)
At 31 March 2014	2,190,580	13,840	(369,563)	(853,388)	981,469
Loss net of tax represents total comprehensive income for the period	—	—	—	(43,756)	(43,756)
At 30 June 2014	2,190,580	13,840	(369,563)	(897,144)	937,713
Loss net of tax represents total comprehensive income for the period	—	—	—	(64,446)	(64,446)
At 30 September 2014	2,190,580	13,840	(369,563)	(961,590)	873,267
Group	Share capital RMB'000	Merger reserve RMB'000	Accumulated losses RMB'000	Total Equity RMB'000	
At 1 January 2013	2,092,157	(369,563)	(572,125)	1,150,469	
Loss net of tax represents total comprehensive income for the period	—	—	(10,540)	(10,540)	
At 31 March 2013	2,092,157	(369,563)	(582,665)	1,139,929	
Loss net of tax represents total comprehensive income for the period	—	—	(49,243)	(49,243)	
At 30 June 2013	2,092,157	(369,563)	(631,908)	1,090,686	
Issue of Subscription Shares(net of introducer fee of RMB 3,472,000)	112,263	—	—	—	112,263

Loss net of tax represents total comprehensive income for the period	–	–	(51,858)	(51,858)
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At 30 September 2013

2,204,420	(369,563)	(683,766)	1,151,091
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<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 2014	2,190,580	13,840	–	(1,038,544)	1,165,876
Loss net of tax represents total comprehensive income for the period	–	–	–	(4,734)	(4,734)
At 31 March 2014	2,190,580	13,840	–	(1,043,278)	1,161,142
Loss net of tax represents total comprehensive income for the period	–	–	–	(10,556)	(10,556)
At 30 June 2014	2,190,580	13,840	–	(1,053,834)	1,150,586
Loss net of tax represents total comprehensive income for the period	–	–	–	(6,919)	(6,919)
At 30 September 2014	2,190,580	13,840	–	(1,060,753)	1,143,667

<u>The Company</u>	Share capital RMB'000	Accumulated profit RMB'000	Total Equity RMB'000
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At 1 January 2013

2,092,157	(35,162)	2,056,995
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Loss net of tax represents total comprehensive income for the period

–	(1,110)	(1,110)
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At 31 March 2013

2,092,157	(36,272)	2,055,885
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Loss net of tax represents total comprehensive income for the period

–	(4,708)	(4,708)
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At 30 June 2013

2,092,157	(40,980)	2,051,177
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Issue of Subscription Shares (net of introducer fee of RMB 3,472,000)
Loss net of tax represents total comprehensive income for the period

112,263	–	112,263
	(4,195)	(4,195)

At 30 September 2013

2,204,420	(45,175)	2,159,245

- 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 2013, 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 2013, 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.

As at the date of the announcement, the Company has an issued and paid-up share capital consisting of 2,275,000,010 Shares. Assuming that all of the remaining 1,137,499,990 Warrants have been exercised by the Warranholders, a further 1,137,499,990 Shares will be issued by the Company to such Warranholders.

- 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 30.09.2014	audited 31.12.2013
Total number of issued share capital excluding treasury shares	<u>2,275,000,010</u>	<u>2,275,000,010</u>

- 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 30 September 2014, 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 2014, 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 2014. 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 3QFY2014 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 3QFY2014 financial results and there is no assurance that there are no material facts not known to the current management that may require the 3QFY2014 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			
	3Q ended		9months ended	
	30.09.14	30.09.13	30.09.14	30.09.13
Loss per share ("LPS")				
Basic and diluted (RMB Cents)	(2.83)	(2.53)	(7.65)	(5.45)

Loss per share for 3QFY2014 is calculated by dividing the Group's net loss attributable to shareholders by the weighted average of ordinary shares in issue for the financial period.

Diluted loss per share is similar to basic loss per share as there are no potential dilutive ordinary shares.

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	audited	Unaudited	audited
	30.09.14	31.12.13	30.09.14	31.12.13
Net asset value per share (RMB)	0.38	0.46	0.50	0.55

Net asset value per share is calculated based on the shareholders' equity of the Group and of the Company as at 30 September 2014 and the issued share capital of ordinary shares.

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 3QFY2014 FINANCIAL RESULTS

For the quarter under review, the Group continued to face challenging market conditions in the current downturn of the industry cycle. As a result of these unfavourable market conditions which have been affecting the Group, HG and NHW have been incurring operating losses with its manufacturing operations. As such, the Group has decided to take steps to suspend its production operations at NHW and HG and lease out HG and NHW's existing production facilities to third party manufacturers of textile and other products. Please refer to Paragraph 10 below for further details of the aforesaid operating leases.

In view of the challenging market conditions and the above developments, the Group's revenue decreased by 70.6% to RMB17.6 million from RMB59.8 million for 3QFY2014. The current downturn of the industry cycle has impacted sales volume and average unit selling prices.

These unfavourable market conditions have affected HG and NHW. To stem further operating losses at the two subsidiaries, the Group decided to cease production at the two subsidiaries with effect from 1 August 2014 and lease out the production facilities to third parties. The decline in operating revenue was mainly attributable to the Group ceasing its production at HG and NHW to focus on leasing out the production facilities at HG and NHW. Under the lease agreements, HG and NHW will respectively receive an annual leasing income of RMB0.6 million and RMB2.4 million from the leasing of their respective production facilities.

Correspondingly, cost of sales also decreased to RMB21.6 million from RMB63.4 million due to the Group ceasing production at HG and NHW and commencing its facilities leasing business. This resulted in a gross loss of RMB4.0 million for 3QFY2014 compared to a gross loss of RMB3.6 million for the third quarter ended 30 September 2013 ("3QFY2013")

Financial income in 3QFY2014 increased by 85.4% to RMB3.0 million from RMB1.6 million, mainly due to more pledged deposits which were secured against the bills payables obtained during 3QFY2014 compared with 3QFY2013. Other income decreased by 92.5% from RMB4.6 million in 3QFY2013 to RMB0.4 million in 3QFY2014, as less scrap yarn was sold during the quarter under review.

Selling and distribution expenses comprising sales department salaries and distribution costs amounted to RMB0.6 million, a 32.7% decrease from RMB0.9 million in 3QFY2013. This was mainly due to a sharp decline in sales with lesser sales promotion and commission fees paid during the quarter under review.

General and administrative expenses in 3QFY2014 increased by 16.3% to RMB26.9 million compared to RMB23.1 million in 3QFY2013 were attributable to the increase in accrual for shareholder's guarantee fees for the Huaxiang Project's loans of approximately RMB4.3 million for this quarter.

Financial expenses in 3QFY2014 increased by 19.5% to RMB36.2 million compared to RMB30.3 million in 3QFY2013. This was largely attributable to the additional RMB492.7 million in loans used to finance the Huaxiang Project.

3 months ended 30 September 2014

The Group recorded a loss before tax of RMB64.3 million, other than the pre-operating expenses incurred by the Huaxiang Project of RMB4.5 million and the holding company's operating expenses of RMB6.9 million, HG and NHW and HX would have recorded a loss before tax of RMB52.9 million including the interest expenses of RMB36.2 million incurred for the Huaxiang Project.

Consolidated Balance Sheet

As at 30 September 2014, the Group's property, plant and equipment ("PPE") amounted to RMB2.1 billion compared to RMB1.8 billion as at 31 December 2013 due to the additional acquisition of PPE for the Huaxiang Project. Land use rights over the four plots of state-owned land in the PRC where the Group's manufacturing premises are located, amounted to RMB156.7 million as at 30 September 2014, compared to RMB159.4 million as at 31 December 2013. The decrease was due to amortisation charge.

Prepayments (non-current portion), consisted of prepayments for the Huaxiang Project's land preparation cost of RMB73.0 million, the land cost of RMB56 million for the Huaxiang Project Phase 2, prepayments made in respect of the acquisition of machinery for the Huaxiang Project of RMB40.3 million.

In terms of current assets, the Group's inventories decreased to RMB8.3 million as at 30 September 2014 from RMB28.9 million as at 31 December 2013. The decrease in inventories was mainly due to inventory clearance to prepare for the leasing out of the production facilities at HG and NHW. For 3QFY2014, inventory turnover days was recorded at 78 days, which was expected given the current industry downturn.

Trade receivables decreased to RMB60.4 million as at 30 September 2014 from RMB70.4 million as at 31 December 2013 due to shorter credit terms given to customers and faster customer collections.

The increase in prepayments from RMB1.3 million as at 31 December 2013 to RMB5.3 million as at 30 September 2014 was mainly due to NHW's prepaid rental income of RMB3.0 million. Bills and Other receivables increased to RMB309.6 million from RMB156.8 million mainly due to VAT receivables related to domestic machines purchased for the Huaxiang Project and receivables from Huarong Finance Asset Management Co., Ltd ("Huarong") amounting to RMB80.7 million. In addition, other receivables also include working capital loans extended to the new lessees which amounted to RMB 21.7 million. Under the lease agreements, NHW and HG are to provide start-up interest-free 12-month secured working capital loans of RMB20.0 million and RMB3.5 million respectively to the respective lessees. As at 30 September 2014, the Group has disbursed approximately RMB21.7 million of the agreed RMB23.5 million.

In terms of current liabilities, the Group's trade payables decreased to RMB24.8 million as at 30 September 2014 from RMB42.2 million as at 31 December 2013 due to lesser purchases of materials. Over the same period, short term bank loans decreased to RMB615.5 million from RMB760.7 million due to repayment of short term loans by using long term bank loans to improve the position of net current asset position of the Group. Payables for the acquisition of PPE decreased to RMB200.9million as at 30 September 2014 from RMB205.2 million as at 31 December 2013 mainly due to the payment of additional liability related to the Huaxiang Project. Other payables, liabilities, and provisions decreased to RMB109.6 million as at 30 September 2014 from RMB142.4 million as at 31 December 2013 was mainly due to less borrowing from third parties, including short term advances from customers. Bills payable increased to RMB652.4 million as at 30 September 2014 from RMB547.9 million as at 31 December 2013 due to the additional utilisation of bills payable for the Huaxiang Project's PPE, Current portion of finance lease payables amounted to RMB53.7 million, which was issued by the Finance Lessor, Huarong, during the period.

In terms of non-current liabilities, the long term bank loans were RMB638.0 million during the quarter under review, and the non-current portion financial lease liabilities payable to Huarong were RMB68.9 million.

As at 30 September 2014, the Group reported a deficiency in net working capital amounting to RMB895.3 million as the Group currently uses short term financing, including short term loans from financial institutions and third party institutions and bill payable facilities to finance its long-term Huaxiang Project. With the subsequent draw-down of the New Project Finance, the deficiency in net working capital should improve.

Consolidated Cash Flow Statement

Cash and cash equivalents decreased from RMB152.9 million as at 30 September 2013 to RMB11.0million as at 30 September 2014, mainly due to cash outflow from financing activities amounting to RMB27.9 million. And cash outflows from operating activities and the cash outflow of Group's investing activity amounting to RMB79.4 million and RMB48.7 million respectively.

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

Not applicable.

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.

The Company's new management team remains focused on the completion of Phase 1 of the Huaxiang Project.

As at the date of this announcement, the Group has yet to receive the certificate for the Office Property of the Huaxiang Project and management expects to receive the certificate in the 2nd half of November 2014. Management intends to rent it out or sell it depending on the market situation.

Phase 1 of the Huaxiang Project

As mentioned previously, the Huaxiang Project will enable the Group to offer finer denier yarn products, which its existing production facilities are unable to produce and command a better average selling price as compared to mainstream yarn products. The Huaxiang Project's production facilities will also be utilising faster and more efficient technology, thereby yielding substantial labour, raw material and operating cost savings for the Group. The Group remains optimistic that these newer and more competitive products from the Huaxiang Project's facilities will help to improve its performance.

The Company completed the calibration of all the 20 texturing machines used for the production of drawn-textured yarn (DTY) in July 2014. The machinery at the Polymerisation Plant and the Spinning Plant are currently in the process of being installed and commissioned. As of 30 September 2014, the Company has expended approximately RMB2.0 billion and would require approximately another RMB118.5 million to complete Phase 1 of the Huaxiang Project.

Leasing of Production Facilities at HG and NHW to Third Party Manufacturers

For the quarter under review, the Group continued to face challenging market conditions in the current downturn of the industry cycle. As a result of unfavourable market conditions which have been affecting the Group, HG and NHW have been incurring operating losses with its manufacturing operations.

To stem further operating losses at the aforesaid two subsidiaries and to extract value from the existing machineries at the NHW and HG, the Group has decided to take steps to suspend its own production operations at NHW and HG, and lease out each of HG and NHW's existing production facilities to Huali Warp Knitting Factory (吴兴区埭溪华利经编厂) ("**Huali**") and Fujian Yunfeng Textile Co., Ltd (福建云丰纺织有限公司) ("**Yunfeng**") respectively in return for monthly rental payments. The Group is of the view that this win-win arrangement will not only substantially reduce its operating losses but will also allow the Group to extract some value from the production machines at NHW and HG as opposed to letting them remain idle. This leasing arrangement will also give the Group the flexibility to resume its own production at NHW and HG at a later stage should the market turn around.

Both Huali and Yunfeng are independent third party manufacturers of textile and other products which are the customers of the Group and which have expressed interest to lease the Group's production facilities as part of their strategy to explore upstream production. Huali's business operations include wholesale/retail of textile, chemical fibre products, lace fabric, net cloth and shoe fibre, while the business operations of Yunfeng include wholesale/retail of textile, chemical fibre products, wrap knitting cloth and nylon fabrics.

Under the terms of the operating lease agreement entered into between HG and Huali, HG has agreed to lease out its production facilities to Huali for a three-year period from 1 August 2014 to 31 July 2017 for the purpose of Huali's production operations, in consideration for monthly lease payment by Huali amounting to RMB50,000.

To assist Huali in commencing its operations at HG's production facilities, HG has further agreed to extend an interest-free, 12 months secured working capital loan of RMB3.5 million to Huali. The aforesaid loan shall be drawn down in stages by Huali in accordance with its operational requirements, and shall be repayable by Huali in full within 12 months from the date of disbursement. As of 30 September 2014, RMB1.7 million of the aforesaid loan has been provided by HG to Huali.

Similarly, NHW has also entered into an operating lease agreement with Yunfeng whereby NHW has agreed to lease out its production facilities to Yunfeng for a three-year period from 1 August 2014 to 31 July 2017, in consideration for monthly lease payment by Yunfeng amounting to RMB0.2 million.

NHW has also agreed to extend an interest-free, 12-month secured working capital loan of RMB20.0 million to Yunfeng to assist Yunfeng in commencing its operations at NHW's production facilities. The loan shall be repayable by Yunfeng in full within 12 months from the date of disbursement. As of 30 September 2014, the full amount of the aforesaid loan has been provided by NHW to Yunfeng, of which approximately RMB14.7 million has been used by Yunfeng to purchase NHW's existing inventory stocks.

The terms of the abovementioned operating lease agreements are arrived at based on arm-length commercial negotiations and after taking into account *inter alia* the existing business conditions of HG and NHW.

None of the Directors, controlling shareholders (including Mr. Cao Xiangbin) of the Company has any interest, direct or indirect, in the abovementioned transactions, save through their shareholdings in the Company (if any).

Outlook

The Company believes that the operating environment for the rest of the financial year ended 31 December 2014 ("FY2014") is likely to continue to remain challenging, due to the ongoing uncertainties in the global economy and the slowdown in the PRC economy.

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.

BY ORDER OF THE BOARD
China Gaoxian Fibre Fabric Holdings Ltd.

Tham Wan Loong, Jerome
Executive Director

14 November 2014

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 3QFY2014 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 30 September 2014 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.

Liu Dehuang
Executive Director and CEO

Tham Wan Loong, Jerome
Executive Director

14 November 2014