



China Gaoxian Fibre Fabric Holdings Ltd.

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**SGXNET ANNOUNCEMENT**

**Unaudited Quarter and Half year Financial Statement and Dividend Announcement  
For the Financial Period ended 30 June 2014**

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**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 ("2QFY2014") and half year ended 30 June 2014 ("1H FY2014") 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 second quarter ("2Q") and six months ("1H") ended 30 June 2014.

	Unaudited 2Q ended			Unaudited 1H ended		
	30.06.14 RMB'000	30.06.13 RMB'000	Change %	30.06.14 RMB'000	30.06.13 RMB'000	Change %
<b>Revenue</b>	25,663	84,621	(69.7)	45,954	156,774	(70.7)
Cost of sales	(28,775)	(103,386)	(72.2)	(51,562)	(168,442)	(69.4)
<b>Gross (loss)</b>	(3,112)	(18,765)	(83.4)	(5,608)	(11,668)	(51.9)
<b>Other items of income</b>						
Financial income	723	2,044	(64.6)	2,806	2,207	27.1
Other income	23,220	1,204	1828.6	23,639	2,715	770.7
<b>Other items of expense</b>						
Selling and distribution expenses	(589)	(491)	20.0	(1,830)	(956)	91.4
General and administrative expenses	(37,700)	(16,158)	(133.3)	(64,007)	(27,808)	130.2
Financial expense	(26,150)	(16,731)	56.3	(64,406)	(23,558)	173.4
<b>Loss before tax</b>	<b>(43,608)</b>	<b>(48,897)</b>	<b>(10.8)</b>	<b>(109,406)</b>	<b>(59,068)</b>	<b>85.2</b>
Income tax	(148)	(346)	(57.2)	(259)	(715)	(63.8)
<b>Net loss attributable to shareholders representing total comprehensive income for the period attributable to equity holders of the Company</b>	<b>(43,756)</b>	<b>(49,243)</b>	<b>(11.1)</b>	<b>(109,665)</b>	<b>(59,783)</b>	<b>83.4</b>

- 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			
	2Q ended Unaudited		1H ended Unaudited	
	30.06.14 RMB'000	30.06.13 RMB'000	30.06.14 RMB'000	30.06.13 RMB'000
Amortisation of land use rights	911	911	1,823	1,823
Amortisation of cost of preparation of land	417	(15)	833	833
Depreciation of property, plant and equipment	7,915	8,141	15,828	16,238
Payroll and related expenses	6,582	7,463	13,840	14,889
Foreign exchange, net	2,839	(27)	1,376	(82)
Operating lease expenses	3,000	3,000	6,000	6,000

**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**

	<b>Group</b>		<b>Company</b>	
	<b>Unaudited 30.06.14 RMB'000</b>	<b>Audited 31.12.13 RMB'000</b>	<b>Unaudited 30.06.14 RMB'000</b>	<b>Audited 31.12.13 RMB'000</b>
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	2,067,299	1,846,560	–	–
Land use rights	157,615	159,438	–	–
Prepayments	271,975	167,555	–	–
Long term receivables	–	–	930,390	930,390
Investment in subsidiaries	–	–	271,772	271,772
	<u>2,496,889</u>	<u>2,173,553</u>	<u>1,202,162</u>	<u>1,202,162</u>
<b>Current assets</b>				
Land use rights	3,646	3,646	–	–
Inventories	20,881	28,941	–	–
Prepayments	585	1,331	–	–
Trade receivables	32,408	70,445	–	–
Bills and other receivables	205,239	156,835	–	60
Bank deposits pledged	453,500	303,870	–	–
Cash and cash equivalents	167,031	7,966	165	267
	<u>883,290</u>	<u>573,034</u>	<u>165</u>	<u>327</u>
<b>Total Assets</b>	<u>3,380,179</u>	<u>2,746,587</u>	<u>1,202,327</u>	<u>1,202,489</u>
<b>Current liabilities</b>				
Provision for income tax	–	(784)	–	–
Short term bank loans	(661,210)	(760,669)	–	–
Trade payables	(40,933)	(42,217)	–	–
Bills payables	(723,014)	(547,861)	–	–
Payables for the acquisition of property, plant and equipment	(243,746)	(205,248)	–	–
Financial lease liabilities	(47,792)	–	–	–
Other payables, liabilities, and provisions	(68,829)	(142,431)	(51,741)	(36,613)
	<u>(1,785,524)</u>	<u>(1,699,210)</u>	<u>(51,741)</u>	<u>(36,613)</u>
<b>Net current liabilities</b>	<u>(902,234)</u>	<u>(1,126,176)</u>	<u>(51,576)</u>	<u>(36,286)</u>
<b>Non-current liabilities</b>				
Long term bank loans	(571,000)	–	–	–
Financial lease liabilities	(85,942)	–	–	–
	<u>(656,942)</u>	<u>–</u>	<u>–</u>	<u>–</u>
<b>Total Liabilities</b>	<u>(2,442,466)</u>	<u>(1,699,210)</u>	<u>(51,741)</u>	<u>(36,613)</u>
<b>Net Assets</b>	<u>937,713</u>	<u>1,047,377</u>	<u>1,150,586</u>	<u>1,165,876</u>
<b>Equity attributable to equity holders of the Company</b>				
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	897,144	787,480	1,053,834	1,038,544
<b>Total equity</b>	<u>(937,713)</u>	<u>(1,047,377)</u>	<u>(1,150,586)</u>	<u>(1,165,876)</u>
<b>Total equity and liabilities</b>	<u>(3,380,179)</u>	<u>(2,746,587)</u>	<u>(1,202,327)</u>	<u>(1,202,489)</u>

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

	<b>Group</b>	
	<b>Unaudited 30.06.14 RMB'000</b>	<b>audited 31.12.13 RMB'000</b>
Amount repayable in one year or less, or on demand		
- Secured	657,210	760,669
- Unsecured	4,000	–
	<u>661,210</u>	<u>760,669</u>
Amount repayable after one year		
- Secured	333,000	–
- Unsecured	238,000	–
	<u>571,000</u>	<u>–</u>

**Details of any collateral**

Short term bank loans

As at 30 June 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.

	<b>Group</b>	
	<b>Unaudited 30.06.14 RMB'000</b>	<b>audited 31.12.13 RMB'000</b>
Land use rights	161,261	163,084
Production, Office buildings, Construction in Progress and Machineries	824,408	315,278
	<u>985,669</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 June 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.

	<b>Group</b>	
	<b>Unaudited 30.06.14 RMB'000</b>	<b>audited 31.12.13 RMB'000</b>
Bank deposits pledged	<u>453,500</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 second quarter ended 30 June 2014 ("2QFY2014")**

	Group			
	2Q ended Unaudited		1H ended Unaudited	
	30.06.14 RMB'000	30.06.13 RMB'000	30.06.14 RMB'000	30.06.13 RMB'000
<b>Loss before tax</b>	<b>(43,608)</b>	<b>(48,897)</b>	<b>(109,406)</b>	<b>(59,068)</b>
Adjustments:				
Amortisation of land use rights	911	911	1,823	1,824
Amortisation of costs of preparation of land	417	(15)	833	833
Depreciation of property, plant and equipment	7,915	8,141	15,828	16,238
Interest expense	23,895	16,832	62,151	23,558
Interest income	(723)	(2,044)	(2,807)	(2,207)
Unrealized exchange loss	2,839	55	1,376	–
Operating (loss) before working capital changes	(8,354)	(25,017)	(30,202)	(18,822)
Increase/ (Decrease) in:				
Inventories	8,508	9,900	8,060	(3,690)
Prepayments	–	2,072	–	2,072
Trade and other receivables	28,906	(63,201)	(5,184)	(57,703)
Increase/ (decrease) in:				
Trade and other payables/ other liabilities	(63,799)	108,517	(17,333)	53,393
Cash flows used in operations	(34,739)	32,271	(44,659)	(24,750)
Interest income received	722	2,044	2,806	2,207
Interest expense paid	(23,001)	(16,832)	(61,254)	(23,558)
Income taxes paid	(439)	(513)	(1,044)	(1,000)
<b>Net cash flows (used in)/generated from operating activities</b>	<b>(57,457)</b>	<b>16,970</b>	<b>(104,151)</b>	<b>(47,101)</b>
<b>Cash flows used in investing activities</b>				
Purchase of property, plant and equipment	(73,984)	(315,630)	(133,189)	(315,663)
Prepayments made in respect of acquisition of property, plant and equipment and AFS financial assets	(83,905)	(530)	(83,905)	(78,377)
<b>Net cash flows (used in) investing activities</b>	<b>(157,889)</b>	<b>(316,160)</b>	<b>(217,094)</b>	<b>(394,040)</b>
<b>Cash flows from/ financing activities</b>				
Proceeds from short term financing loans	577,760	754,480	1,248,316	994,570
Repayment of short term financing loans	(593,300)	(517,700)	(1,109,775)	(606,300)
Proceeds from long term financing loans	333,000	–	333,000	–
(Increase)/ decrease in bank deposits pledged	(130,867)	(64,300)	(149,630)	(103,774)
Repayment of finance lease liabilities	(9,735)	–	(16,754)	–
Increase in bills payable	121,201	105,541	175,153	154,601
<b>Net cash generated from financing activities</b>	<b>298,059</b>	<b>278,021</b>	<b>480,310</b>	<b>439,097</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>82,713</b>	<b>(21,169)</b>	<b>159,065</b>	<b>(2,044)</b>
<b>Cash and cash equivalents at beginning of financial period</b>	<b>84,318</b>	<b>35,663</b>	<b>7,966</b>	<b>16,538</b>
<b>Cash and cash equivalents at end of financial period (Note A)</b>	<b>167,031</b>	<b>14,494</b>	<b>167,031</b>	<b>14,494</b>

**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 2QFY2014 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.**

<b>The Group</b>	<b>Share capital RMB'000</b>	<b>Warrant Reserve RMB'000</b>	<b>Merger reserve RMB'000</b>	<b>Accumulated losses RMB'000</b>	<b>Total Equity RMB'000</b>
<b>At 1 January 2014</b>	<b>2,190,580</b>	<b>13,840</b>	<b>(369,563)</b>	<b>(787,480)</b>	<b>1,047,377</b>
Loss net of tax represents total comprehensive income for the period	–	–	–	(65,908)	(65,908)
<b>At 31 March 2014</b>	<b>2,190,580</b>	<b>13,840</b>	<b>(369,563)</b>	<b>(853,388)</b>	<b>981,469</b>
Loss net of tax represents total comprehensive income for the period	–	–	–	(43,756)	(43,756)
<b>At 30 June 2014</b>	<b>2,190,580</b>	<b>13,840</b>	<b>(369,563)</b>	<b>(897,144)</b>	<b>937,713</b>

<b>Group</b>	<b>Share capital RMB'000</b>	<b>Merger reserve RMB'000</b>	<b>Accumulated losses RMB'000</b>	<b>Total Equity RMB'000</b>
<b>At 1 January 2013</b>	<b>2,092,157</b>	<b>(369,563)</b>	<b>(572,125)</b>	<b>1,150,469</b>
Loss net of tax represents total comprehensive income for the period	–	–	(10,540)	(10,540)
<b>At 31 March 2013</b>	<b>2,092,157</b>	<b>(369,563)</b>	<b>(582,665)</b>	<b>1,139,929</b>
Loss net of tax represents total comprehensive income for the period	–	–	(49,243)	(49,243)
<b>At 30 June 2013</b>	<b>2,092,157</b>	<b>(369,563)</b>	<b>(631,908)</b>	<b>1,090,686</b>

<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 31 March 2014	2,190,580	13,840	-	(1,053,834)	1,150,586

<u>The Company</u>	Share capital RMB'000	Accumulated profit RMB'000	Total Equity RMB'000
At 1 January 2013	2,092,157	(35,162)	2,056,995
Loss net of tax represents total comprehensive income for the period	-	(1,110)	(1,110)
At 31 March 2013	2,092,157	(36,272)	2,055,885
Loss net of tax represents total comprehensive income for the period	-	(4,708)	(4,708)
At 30 June 2013	2,092,157	(40,980)	2,051,177

- 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 Warrantholders, a further 1,137,499,990 Shares will be issued by the Company to such Warrantholders.

**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.**

<b>Company</b>	<b>Unaudited 30.06.2014</b>	<b>audited 31.12.2013</b>
Total number of issued share capital excluding treasuryshares	<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 30June 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 2QFY2014 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 2QFY2014 and 1HFY2014 financial results and there is no assurance that there are no material facts not known to the current management that may require the 2QFY2014 and 1HFY2014 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			
	2Q ended		1H ended	
	30.06.14	30.06.13	30.06.14	30.06.13
<b>Loss per share ("LPS")</b>				
Basic and diluted (RMB Cents)	(1.92)	(2.16)	(4.82)	(2.60)

Loss per share for 2QFY2014 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.**

	<b>Group</b>		<b>Company</b>	
	<b>Unaudited</b>	<b>audited</b>	<b>Unaudited</b>	<b>audited</b>
	<b>30.06.14</b>	<b>31.12.13</b>	<b>30.06.14</b>	<b>31.12.13</b>
Net asset value per share (RMB Cents)	0.41	0.46	0.51	0.55

Net asset value per share is calculated based on the shareholders' equity of the Group and of the Company as at 30 June 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 2QFY2014 FINANCIAL RESULTS**

The Group's revenue decreased by 69.7% to RMB25.7 million from RMB84.6 million for 2QFY2014. For the quarter under review, the Group continued to face challenging market conditions in the current downturn of the industry cycle, which has impacted sales volume and average unit selling prices. The PRC textile industry continued to be impacted by the slowdown of the PRC economy in 2QFY2014, which was caused by weak external demand.

Correspondingly, cost of sales also decreased to RMB28.8 million from RMB103.4 million. This resulted in a gross loss of RMB3.1 million for 2QFY2014 compared to a gross loss of RMB18.8 million for the second quarter ended 30 June 2013 ("2QFY2013")

Financial income in 2QFY2014 decreased by 64.6% to RMB0.7 million from RMB2.0 million, mainly due to lesser pledged deposits matured which secured the bills payable during 2QFY2014 compared with 2QFY2013. Other income increased by 1828.6% from RMB1.2million in 2QFY2013 to RMB23.2 million in 2QFY2014, which was mainly due to a one-off government subsidy of RMB21.4 million granted by the local PRC government to one of the Company's subsidiaries, HX to support HX's daily working capital requirements.

Selling and distribution expenses comprising sales department salaries and distribution costs amounted to RMB0.6 million, a 20.0% increase from RMB0.5 million in 2QFY2013. This was mainly due to new expenses incurred by NHW relating to a one-off promotion fees amounting to RMB0.4 million made to trading companies during the quarter under review.

General and administrative expenses in 2QFY2014 increased by 133.3% to RMB37.7 million compared to RMB16.2 million in 2QFY2013, mainly due to more staff and its related expenses of approximately RMB6.0 million for the Huaxiang Project, an increase in accrual for shareholder's guarantee fees for the Huaxiang Project's loans of approximately RMB8.1 million, the reclassification of subsidiaries' Cost of Goods Sold to depreciation costs relating to idle machines amounting to approximately RMB5.9 million, financial lease service fee amounting to RMB1.8 million, and the impairment provision for HX's inventory of RMB3.5 million.

Financial expenses in 2QFY2014 increased by 56.3% to RMB26.2 million compared to RMB16.7 million in 2QFY2014. This was largely attributable to the additional RMB257.4 million loans used to finance the Huaxiang Project.

### 3 months ended 30 June 2014

The Group recorded a loss before tax of RMB43.6 million, other than the pre-operating expenses incurred by the Huaxiang Project of RMB11.3 million and the holding company's operating expenses of RMB10.6 million, HG and NHW would have recorded a loss before tax of RMB21.7 million including the interest expenses incurred for the Huaxiang Project.

### Consolidated Balance Sheet

As at 30 June 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 RMB157.6 million as at 30 June 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 RMB73.5million, land cost of RMB56.0 million for the Huaxiang Project Phase 2, prepayments made in respect of the acquisition of machinery for the Huaxiang Project of RMB58.6 million, and prepayments for investment on financial asset amount of RMB83.9 million incurred by NHW as one of the condition precedents required by China Citic Bank for loans amounting to RMB242.0 million for the Huaxiang Project. Prepayments (non-current portion) increased to RMB272.0 million as at 30 June 2014 compared to RMB167.6 million as at 31 December 2013 mainly due to prepayment for the investment on financial assets amounting to RMB83.9 million

In terms of current assets, the Group's inventories decreased to RMB20.9 million as at 30 June 2014 from RMB28.9 million as at 31 December 2013. The decrease in inventories was mainly due higher sales compared to the same period of the previous year. For 2QFY2014, inventory turnover days was recorded at 79 days, which was expected given the current industry downturn.

Trade receivables decreased to RMB32.4 million as at 30 June 2014 from RMB70.4 million as at 31 December 2013 due to shorter credit terms given to customers and faster customer collections. The decrease in prepayments from RMB1.3 million as at 31 December 2013 to RMB0.6 million as at 30 June 2014 was mainly due to lesser advances to suppliers during the quarter. Bills and Other receivables increased to RMB205.2 million from RMB156.8 million mainly due to VAT receivables related to domestic machines purchased for the Huaxiang Project and risk deposit paid to Huarong Finance Leasing Co., Ltd ("Huarong") amounting to RMB13.9 million.

In terms of current liabilities, the Group's trade payables decreased to RMB40.9 million as at 30 June 2014 from RMB42.2 million as at 31 December 2013 due to lesser purchases of materials on credit terms. Over the same period, short term bank loans decreased to RMB661.2 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 RMB183.9 million as at 30 June 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 RMB68.8 million as at 30 June 2014 from RMB142.4 million as at 31 December 2013 was mainly due to lesser short term advances from customers. Bills payable increased to RMB723.0 million as at 30 June 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 RMB47.8 million, which was issued by the Finance Lessor, Huarong, during the period.

In terms of non-current liabilities, the long term bank loans were RMB571.0million during the quarter under review, and the non-current portion financial lease liabilities payable to Huarong were RMB85.9 million.

As at 30 June 2014, the Group reported a deficiency in net working capital amounting to RMB902.2 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 capital project in HX. With subsequent draw-down of the New Project Finance, the deficiency in net working capital should improve.

#### Consolidated Cash Flow Statement

Cash and cash equivalents increased from RMB14.5 million as at 30 June 2013 to RMB167.0 million as at 30 June 2014, mainly due to proceeds from financing activities amounting to RMB298.1 million. This was offset by cash outflows from operating activities and the Group's purchase of plant and equipment amounting to RMB57.5 million and RMB157.9 million respectively.

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

While the Company has previously announced that it expects the calibration of the 20 texturing machines used to for the production of drawn-textured yarn (DTY) to be completed by June 2014, the aforesaid completion was delayed to July 2014 due to certain unforeseen technical issues. Nonetheless, the Company expects that Phase 1 of the Huaxiang Project is on track, to be completed in the third quarter of 2014.

Save as disclosed above, the 2Q2014 financial results announcement is in line with the statement made in paragraph 10 disclosed in the 1QFY2014 financial results announcement dated 15 May 2014.

**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 Office Property of the Huaxiang Project has been completed and the Group expects to be issued with the property ownership certificate for the Office Property in the third quarter of 2014.

#### Phase 1 of the Huaxiang Project

As set out in Paragraph 9 above, the Company had 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 also in the process of being installed and commissioned, and the Company expects Phase 1 of the Huaxiang Project to be completed in the third quarter of 2014.

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.

As of 30 June 2014, the Company has expended approximately RMB1.85 billion and would require approximately another RMB169 million to complete Phase 1 of the Huaxiang Project.

## 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 August 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 2QFY2014 and 1H2014 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 June 2014 and 1H2014 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.

Tham Wan Loong, Jerome  
Executive Director

Low Chai Chong  
Non-Executive and Non-Independent Chairman

14 August 2014