

**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)

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**FURTHER INFORMATION ON THE COMPANY'S THIRD QUARTER RESULTS ANNOUNCEMENT  
DATED 14 NOVEMBER 2016**

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*Unless otherwise defined, all capitalised terms used in this announcement shall bear the same meanings as ascribed to them in the Company's Third Quarter Results for the financial period ended 30 September 2016 which was released to the Singapore Exchange Securities Trading Limited ("SGX-ST") on 14 November 2016 ("3QFY2016 Results Announcement").*

The Board of Directors ("**Board**") of China Gaoxian Fibre Fabric Holdings Ltd. (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the Company's 3QFY2016 Results Announcement and wishes to provide further information as follows:-

**SGX-ST's questions:-**

1. *On page 13, the Company provided a breakdown of "Bills and other receivables" totaling RMB210.7 million. However, total "Bills and other receivables" amounted to RMB292.7 million. Please provide a breakdown and explain the material items for the other RMB82.0 million.*

**Company's response:-**

The breakdown of "Bills and other receivables" is summarised as follows:

- (a) RMB 143.8 million of Input VAT receivables from domestic machines purchased for the Huaxiang Project which can be used to set off future VAT payment generated by the sales from the Huaxiang plant;
- (b) a remaining RMB 10.1 million of receivables from Huarong Asset Management Company for transferring the DiBang Group non-performance debts as announced previously;
- (c) RMB 30.5 million of deposits paid to the financial leasing lessor;
- (d) Other receivables from lessees amounted to RMB 26.3 million;
- (e) Prepayment to third parties for purchase of raw materials of RMB 60.7 million;
- (f) Input VAT receivables of RMB 7.4 million;
- (g) Non-trade amount due from a local government authority of RMB 2.8 million;
- (h) Non-trade amount due from a third party of RMB 10.0 million (fully settled as of the date of this announcement); and
- (i) Rental deposit of RMB 1.0 million.

2. *On page 13, the Company provided a breakdown of "Other payables, liabilities and provisions" totaling RMB445.9 million. However, total "Other payables, liabilities and provisions" amounted to RMB490.2 million. Please provide a breakdown and explain the material items for the other RMB44.3 million.*

**Company's response:-**

The breakdown of "Other payables, liabilities and provisions" is summarised as follows:

- (a) Proceeds of interest free loans from 2 state-owned entities amounting to RMB 255.2 million;
- (b) Advances received from customers amounting to RMB 41.7 million;
- (c) Rental payable amounting to RMB 9.0 million;
- (d) Consultancy and guarantee fees due to a shareholder amounting to RMB 25.3 million;
- (e) Interest payables amounting to RMB 94.5 million;

- (f) Non trade amounts due to third parties of RMB10.9 million;
- (g) Salary related costs payables of RMB 9.3 million;
- (h) Non-trade amounts due to third parties of RMB 27.0 million;
- (i) Other accrued operating expenses of RMB 11.6 million; and
- (j) Advances received from a minority shareholder (non-trade) of RMB 5.0 million.

3. ***We note that “Bills payable” decreased significantly to RMB158.3 million, from RMB487.5 million as at 31 December 2015, and RMB435.4 million as at 30 June 2016. Please disclose and explain the factors which resulted in the significant fall in “Bills payable”.***

**Company’s response:-**

Bills payable decreased by RMB 329.2 million to RMB 158.3 million as at 30 September 2016 from RMB 487.5 million as at 31 December 2015. This was mainly due to (i) repayment of some of the bill payables which have been due; and (ii) refinancing of the bill payables after deducting the bank pledged deposits into short term bank loans as at 30 September 2016.

4. ***In view of the Company’s negative working capital and a net liability position, please provide the Board’s opinion if the Company will be able to operate as going concern and basis for the Board’s view. Please provide the Board’s confirmation that all material disclosures have been provided for trading of the Company’s shares to continue.***

**Company’s response:-**

The Board believes that the Group and the Company will have sufficient resources to continue in operation as a going concern, after taking into consideration the following:

- (a) As at 30 September 2016, the carrying amount of the Group’s investment property – construction work-in-progress of 26-storey commercial and office building with two basements, was RMB 175.2 million (including land use rights of RMB 18.5 million).

As disclosed in FY2015 Annual Report (Page 71), on 7 April 2016, the Group received a Letter of Intent from the People’s Government of Huzhou City that the letter has the intention to acquire the entire investment property at an estimated consideration of RMB 217.8 million based on RMB 4,200 per square metre. The independent professional valuers have accordingly approximated the estimated consideration of RMB 217.8 million to be its fair value in FY2015. The construction of the investment property has not been completed as at 2 December 2016. The Group intends to strategically dispose its investment property which is not related to its core business. Such proceeds will be used to provide working capital and repay borrowings. The Group wishes to stress that this is currently in an exploratory stage and updates would be provided to shareholders as and when there are material developments.

- (b) The Management is currently negotiating with financial institutions to lower interest rates and amend the principal repayment schedules. The management believe that the Group has good track records with financial institutions which enhance the Group’s ability to continue and/or obtain new credit facilities to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future.
- (c) One of the shareholders continues to undertake and provide the necessary financial support to the Group and the Company so that the Group and the Company are able to pay its debts as and when they fall due. In the event of any shortfall in working capital requirements for the next twelve months, management believes that the Group and the Company will have the ability to obtain further short-term financing from non-financial institutions and third parties since the loans will continue to be secured by guarantees from the shareholder.
- (d) As announced on 14 November 2016, the Group had resumed production on 15 April 2016 after the temporary cessation of production for the PET, FDY and POY production lines on 30 December 2015, and achieved full production capacity level in the second quarter ended

30 June 2016 ("2QFY2016"). The Group's revenue for the third quarter ended 30 September 2016 ("3QFY2016") increased by RMB 336.9 million or 732.5% to RMB 382.9 million from RMB 46.0 million for the third quarter ended 30 September 2015 ("3QFY2015"). In terms of cash flow activities, the Group generated RMB 41.2 million net cash inflow from operating activities for the 9-month period ended 30 September 2016 compared to RMB 78.8 million net cash outflow as the same period in 2015.

In addition, the Group has managed to reduce its net loss by 44.5% or RMB 39.5 million to RMB 49.2 million in 3QFY2016 from RMB 88.7 million in 3QFY2015. As a result of full production capacity in place, the continuing cost cutting measures for operational efficiency as well as streamlining the Group's processes with the view of making its business more competitive, the management believes that these initiatives will benefit the Group and greatly help towards a return to profitability.

- (e) The Management has critically assessed the cash flow forecasts of the Group for the next twelve months and concluded that there will be sufficient cash flows and resources to allow the Group to continue its operations and meet its obligations for the foreseeable future.
- (f) The Group is also exploring various equity and/or debt fund raising options to strengthen its financial position and/or to make acquisitions of new business or assets which could be injected into the Group to improve its financial performance. The Group wishes to stress that this is currently in an exploratory stage and updates would be provided to shareholders as and when there are material developments.

In addition, the Board confirms that, to best of their knowledge, all material disclosures have been provided for trading of the Company's shares to continue.

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

Tham Wan Loong, Jerome  
Executive Director  
2 December 2016