

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

For the three months ended 31 March 2016 ("1QFY2016"), the Group reported a revenue of RMB 32.0 million, an increase of 89% from RMB 16.9 million from the corresponding period in 2015 ("1QFY2015"). The sales of FDY, POY and PET chips were previously capitalised as part of CWIP. Although Huaxiang Plant has temporarily ceased production for overhaul during the quarter under review, from 1 January 2016, following the completion of testing phase for FDY, POY and PET chips, Huaxiang utilised and sold its remaining finished goods and recognised the corresponding sales into revenue, thus attributing to the overall increase in revenue.

Gross profit was RMB 0.6 million in 1QFY2016 compared to a gross loss of RMB 1.9 million in 1QFY2015, mainly due to the improvement of the averaging selling price filament yarns and its unit cost during the quarter under review.

The Group reported a net loss of RMB 92.7 million.

As at 31 March 2016, the cash and cash equivalents was RMB 265.5 million.

Update on Future Direction

As announced previously, in consideration of the following factors, the management had decided to temporary cease production for the PET, FDY and POY productions lines on 30 December 2015 as:-

- (i) the market situation was not profitable as expected till the end of March 2016, especially when the crude oil price continually declined and eventually impacted the filaments final good's prices during the fourth quarter under review;
- (ii) most staffs were going back to hometown by end of January 2016 due to the seasonal Chinese New Year festival; and
- (iii) there is a need for comprehensive maintenance as the Huaxiang Facilities had been running for almost 9 months continuously for trial production.

The Group has since resumed full production on 15 April 2016. As at the date of announcement, eight (8) POY production lines and eight (8) FDY production lines had been gradually launched. The current daily production capacity rates for PET chips, POY and FDY products are 40 tonnes, 300 tonnes and 240 tonnes respectively.

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 million (*RMB 11 million had been repaid out of RMB 416 million which had been drawn down*). Under the revised repayment terms, Huaxiang China is only required to repay RMB 76 million in FY2016 instead of RMB 205 million. Accordingly, the current portion of RMB 129 million of the 4-year syndicated loan was reclassified to “non-current” in the financial statements. 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
13 May 2016