CIRCULAR DATED 12 DECEMBER 2019

THIS CIRCULAR IS IMPORTANT AS IT CONTAINS THE RECOMMENDATION OF THE INDEPENDENT DIRECTORS (AS DEFINED HEREIN) OF CHINA GAOXIAN FIBRE FABRIC HOLDINGS LTD. AND THE ADVICE AND RECOMMENDATION OF CEL IMPETUS CORPORATE FINANCE PTE. LTD., THE INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT DIRECTORS. THIS CIRCULAR REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

This Circular is issued by China Gaoxian Fibre Fabric Holdings Ltd. (the "Company"). If you are in any doubt as to the contents of this Circular or the action that you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

If you have sold or transferred all your shares in the capital of the Company represented by physical share certificate(s), you should immediately forward this Circular to the purchaser or transferee or to the bank, stockbroker or agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee. If you have sold or transferred all your shares in the capital of the Company held through The Central Depository (Pte) Limited, you need not forward this Circular to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the accuracy or correctness of any of the statements made, reports contained, opinions expressed or advice given in this Circular.

CIRCULAR TO SHAREHOLDERS

in relation to an Exit Offer (as defined herein) in connection with

THE DIRECTED DELISTING OF CHINA GAOXIAN FIBRE FABRIC HOLDINGS LTD. FROM THE OFFICIAL LIST OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

by

CHINA SUCCESS GROUP (INTERNATIONAL HOLDINGS) LIMITED

(Company Registration No.: 947147)
(Incorporated in Hong Kong)

to acquire all the issued and paid-up ordinary shares in the capital of the Company

Independent Financial Adviser to the Independent Directors in respect of the Exit Offer

CICF
CEL Impetus Corporate Finance Pte Ltd

CEL Impetus Corporate Finance Pte. Ltd.

(Company Registration No.: 201631484Z)
(Incorporated in the Republic of Singapore)

SHAREHOLDERS SHOULD NOTE THAT THE OFFER DOCUMENT STATES THAT ACCEPTANCES SHOULD BE RECEIVED BY THE CLOSE OF THE OFFER AT 5.30 P.M. (SINGAPORE TIME) ON 26 DECEMBER 2019 AND THAT THE OFFEROR DOES NOT INTEND TO EXTEND THE EXIT OFFER BEYOND THE CLOSING DATE (IRRESPECTIVE OF WHETHER THE EXIT OFFER BECOMES OR IS DECLARED TO BE UNCONDITIONAL AS TO ACCEPTANCES), SAVE THAT SUCH NOTICE OF THE OFFEROR'S INTENTION NOT TO EXTEND THE EXIT OFFER BEYOND THE CLOSING DATE SHALL NOT BE CAPABLE OF BEING ENFORCED IN A COMPETITIVE SITUATION.

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DEFINITIONS

In this Circular, the following definitions apply throughout unless the context otherwise requires:

"**CDP**"	:	The Central Depository (Pte) Limited
"**CICF**"	:	CEL Impetus Corporate Finance Pte. Ltd.
"**Circular**"	:	This circular dated 12 December 2019 issued by the Company in relation to the Exit Offer
"**Closing Date**"	:	5.30 p.m. (Singapore time) on 26 December 2019
"**Code**"	:	The Singapore Code on Take-overs and Mergers, as may be amended, modified or supplemented from time to time
"**Company**"	:	China Gaoxian Fibre Fabric Holdings Ltd.
"**Company Securities**"	:	(a) Shares or securities which carry voting rights in the Company, or (b) Convertible Securities, Warrants, Options and Derivatives, and for the purposes of the foregoing: "**Convertible Securities**" means securities convertible or exchangeable into new Shares or existing Shares in the Company; "**Derivatives**" includes any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of an underlying security or securities, in this case, the Shares; "**Options**" means options to subscribe for or purchase new Shares or existing Shares in the Company; and "**Warrants**" means rights to subscribe for or purchase new Shares or existing Shares in the Company
"**Companies Act**"	:	Companies Act, Chapter 50 of Singapore
"**Constitution**"	:	The constitution of the Company
"**CPF**"	:	The Central Provident Fund
"**CPFIS**"	:	The Central Provident Fund Investment Scheme
"**CPFIS Investors**"	:	Investors who have purchased Shares using their CPF contributions pursuant to the CPFIS
"**Delisting**"	:	Has the meaning ascribed to it in paragraph 1.2 of this Circular

"**Delisting Notification**"	:	Has the meaning ascribed to it in paragraph 1.2 of this Circular
"**Delisting Proposal**"	:	Has the meaning ascribed to it in paragraph 1.3 of this Circular
"**Directors**"	:	The directors of the Company for the time being
"**Exit Offer**"	:	A voluntary conditional cash offer by the Offeror to acquire all the Shares other than those already owned, controlled or agreed to be acquired by it or by parties acting in concert or deemed to be acting in concert with it as at the date of the Exit Offer
"**FAA**"	:	Form of Acceptance and Authorisation for Offer Shares which forms part of the Offer Document and which is issued to Shareholders whose Offer Shares are deposited with CDP
"**FAT**"	:	Form of Acceptance and Transfer for Offer Shares which forms part of the Offer Document and which is issued to Shareholders whose Offer Shares are not deposited with CDP and are registered in such Shareholder's name in the register of members maintained by the Share Registrar (as defined in the Offer Document)
"**Group**"	:	The Company and its subsidiaries
"**IFA**"	:	The independent financial adviser to the Independent Directors, being CICF
"**IFA Letter**"	:	The letter from CICF setting out its advice to the Independent Directors, a copy of which is set out in **Appendix A** to this Circular
"**Independent Directors**"	:	The Directors who are considered to be independent for the purpose of making recommendation to the Shareholders in respect of the Exit Offer, namely: (a) Xie Ruliang; (b) Lin Xingdi; (c) Tham Wan Loong, Jerome; (d) Sze Man Kam; (e) Low Chin Parn Eric; and (f) Teo Boon Hai

"**Latest Practicable Date**"	:	5 December 2019, being the latest practicable date prior to the printing of this Circular
"**Listing Manual**"	:	The listing manual of the SGX-ST, as may be amended, modified or supplemented from time to time
"**Offer Announcement**"	:	Has the meaning ascribed to it in paragraph 1.3 of this Circular
"**Offer Announcement Date**"	:	7 November 2019
"**Offer Document**"	:	The document dated 28 November 2019 issued by the Offeror, in respect of the Exit Offer and any other document(s) which may be issued by the Offeror to amend, revise, supplement or update the document(s) from time to time
"**Offer Shares**"	:	Shares other than those already owned, controlled or agreed to be acquired by the Offeror or by parties acting in concert or deemed to be acting in concert with the Offeror as at the date of the Exit Offer
"**Offeror**"	:	China Success Group (International Holdings) Limited
"**Offeror Securities**"	:	Has the meaning ascribed to it in paragraph 8.2(a) of Appendix B of this Circular
"**Overseas Shareholders**"	:	Shareholders whose addresses are outside Singapore as shown on the register of members of the Company or, as the case may be, in the records of CDP
"**Relevant Period**"	:	The period commencing three (3) months prior to the Offer Announcement Date and ending on the Latest Practicable Date
"**RMB**"	:	Renminbi, the lawful currency of the People's Republic of China
"**Securities and Futures Act**"	:	Securities and Futures Act, Chapter 289 of Singapore
"**SGX-ST**"	:	Singapore Exchange Securities Trading Limited
"**Shareholders**"	:	Persons who are registered as holders of Shares in the register of members of the Company and Depositors who have Shares entered against their names in the Depository Register
"**Shares**"	:	Issued and paid-up ordinary shares in the capital of the Company
"**SRS**"	:	The Supplementary Retirement Scheme
"**SRS Investors**"	:	Investors who have purchased Shares using their SRS contributions pursuant to SRS

"**Substantial Shareholder**"	:	A person who has an interest or interests in voting Shares representing not less than 5% of all the voting Shares
"**Valuer**"	:	Jones Lang LaSalle Corporate Appraisal and Advisory Limited
"**Watch-List**"	:	The financial watch-list of the SGX-ST

The term "**subsidiary**" shall have the meaning ascribed to it by Section 5 of the Companies Act.

Words importing the singular shall, where applicable, include the plural and *vice versa*, and words importing the masculine gender shall, where applicable, include the feminine and the neuter genders and *vice versa*. References to persons shall include corporations.

Any reference in this Circular to any statute or enactment is a reference to that statute or enactment as for the time being amended, modified, or re-enacted. Any word defined under the Companies Act, the Securities and Futures Act, the Code or the SGX-ST Listing Manual or any modification thereof and used in this Circular shall, where applicable, have the meaning assigned to it under the Companies Act, the Securities and Futures Act, the Code or the SGX-ST Listing Manual or any modification thereof, as the case may be.

Any reference to a time of day in this Circular shall be a reference to Singapore time unless otherwise stated.

Any discrepancy in the tables in this Circular between the listed amounts and the totals thereof may be due to rounding.

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as “seek”, “expect”, “anticipate”, “believe”, “intend”, “project”, “plan”, “strategy”, “forecast” and similar expressions or future or conditional verb such as “if”, “will”, “would”, “shall”, “should”, “could”, “may” and “might”. These statements reflect the Company’s current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements. Shareholders and investors should not place undue reliance on such forward-looking statements, and neither the Company nor the IFA guarantees any future performance or event, or undertakes any obligation to update publicly or revise any forward-looking statements, subject to compliance with all applicable laws and regulations and/or the rules of the SGX-ST and/or any other regulatory or supervisory body or agency.

SUMMARY TIMETABLE

Date of despatch of Offer Document	:	28 November 2019
Date of despatch of this Circular	:	12 December 2019
Closing Date	:	5.30 p.m. (Singapore time) on 26 December 2019 or such later date(s) as may be announced from time to time by or on behalf of the Offeror
Date of settlement of consideration for valid acceptances of the Exit Offer	:	Please refer to paragraph 4 of Appendix I to the Offer Document for further information

CHINA GAOXIAN FIBRE FABRIC HOLDINGS LTD.
(中国高纤控股有限公司)

(Company Registration No.: 200817812K)
(Incorporated in the Republic of Singapore on 9 September 2008)

Directors:
Xie Ruliang, Non-Executive and Non-Independent Chairman
Lin Xingdi, Executive Director and Chief Executive Officer
Tham Wan Loong, Jerome, Executive Director
Sze Man Kam, Independent Director
Low Chin Parn Eric, Independent Director
Teo Boon Hai, Independent Director

Registered Office:
80 Robinson Road
#02-00
Singapore 068898

12 December 2019

To: The Shareholders of China Gaoxian Fibre Fabric Holdings Ltd.

Dear Sir/Madam

DIRECTED DELISTING OF THE COMPANY PURSUANT TO RULE 1315 OF THE LISTING MANUAL AND EXIT OFFER BY THE OFFEROR PURSUANT TO RULES 1306, 1309 AND 1315 OF THE LISTING MANUAL OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

1. INTRODUCTION

1.1 Watch-List Status

On 3 March 2016, the Company was placed on the Watch-List by the SGX-ST pursuant to Rule 1311 of the Listing Manual. The Company would have to meet the requirements of Rule 1314 of the Listing Manual within 36 months from 3 March 2016, i.e. by 2 March 2019, failing which the SGX-ST may either delist the Company or suspend trading of the Company's Shares with a view to delisting the Company.

1.2 Delisting Notification

As the Company was not able to meet the requirements under Rule 1314 of the Listing Manual for its removal from the Watch-List by the aforesaid deadline of 2 March 2019, on 27 February 2019, the Company received the notification letter from the SGX-ST (the "**Delisting Notification**") informing the Company that the SGX-ST will delist the Company from the Official List of the SGX-ST pursuant to Rule 1315 of the Listing Manual as the Company has not met the requirements under Rule 1314 of the Listing Manual for its removal from the Watch-List (the "**Delisting**").

In the Delisting Notification, the SGX-ST also directed, *inter alia*, that:

(a) pursuant to Rule 1306 of the Listing Manual, the Company or its controlling shareholder(s) must comply with Rule 1309 of the Listing Manual which requires the Company or its controlling shareholder(s) to provide a reasonable exit offer to Shareholders; and

(b) trading in the Company's securities will continue until 5.05 pm on 2 April 2019 and thereafter, trading will remain suspended until completion of the exit offer.

1.3 Offer Announcement

On 7 November 2019, the Company and the Offeror jointly announced that the Offeror has presented to the Directors a formal proposal to make an exit offer to the Shareholders pursuant to Rules 1306, 1309 and 1315 of the Listing Manual (the "**Delisting Proposal**") in accordance with the Delisting Notification (the "**Offer Announcement**"). Under the Delisting Proposal, the Offeror will make the Exit Offer in accordance with Section 139 of the Securities and Futures Act and Rule 15 of the Code.

1.4 Exit Offer and Offer Document

Under the Delisting Proposal, the Offeror would make the Exit Offer in cash on the terms set out in the Offer Document. The Offer Document contains the terms of the Exit Offer made by the Offeror to acquire all the Offer Shares, together with the appropriate form(s) for acceptance of the Exit Offer.

Shareholders are advised to read the terms and conditions of the Exit Offer set out in the Offer Document carefully.

A copy of the Offer Document is available on the website of SGX-ST at https://www.sgx.com/.

1.5 Offeree's Circular

This Circular contains, *inter alia*, information on the Company, the extract of the advice of the IFA on the Exit Offer and the recommendation of the Independent Directors to the Shareholders in relation to the Exit Offer.

Shareholders should read the Offer Document, this Circular and the IFA Letter carefully and consider the recommendation of the Independent Directors and the advice and recommendation of the IFA to the Independent Directors in respect of the Exit Offer before deciding on whether to accept the Exit Offer.

If you are in any doubt in relation to this Circular or as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

1.6 No Shareholders' Approval Required

Shareholders are to note that no extraordinary general meeting of the Shareholders will be convened for the purpose of the Delisting. In addition, Shareholders' attention is drawn to the section headed "*Compulsory Acquisition*" and "*Implications of Delisting for Shareholders*" in paragraphs 8 and 9 of the Offer Document respectively, extracts of which are set out below.

Unless otherwise defined, all terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document.

"***8. COMPULSORY ACQUISITION***

*Pursuant to Section 215(1) of the Companies Act, Chapter 50 of Singapore ("**Companies Act**"), if the Offeror receives valid acceptances pursuant to the Exit Offer in respect of not less than 90% of the total number of issued Shares, the Offeror would be entitled to exercise the right to compulsorily acquire all the Shares of Shareholders who have not accepted the Exit Offer ("**Dissenting Shareholders**"), at a price equal to the Offer Price. For the purpose of determining the 90% threshold under Section 215(1) of the Companies Act, Shares held by the Offeror, its related corporations and their respective nominees as at the date of the Exit Offer shall not be taken into account.*

Dissenting Shareholders have the right under and subject to Section 215(3) of the Companies Act to require the Offeror to acquire their Shares at the Offer Price in the event that the Offeror acquires, pursuant to the Exit Offer, such number of Shares which, together with the Shares held by the Offeror, its related corporations or their respective nominees, comprise 90% or more of the total number of issued Shares (excluding Shares held in treasury). Dissenting Shareholders who wish to exercise such rights are advised to seek their own independent legal advice. Unlike Section 215(1) of the Companies Act, the 90% threshold under Section 215(3) of the Companies Act does not exclude Shares held by the Offeror, its related corporations or their respective nominees.

In view that Fleur Growth Fund has undertaken not to accept the Exit Offer, such rights under Sections 215(1) and (3) of the Companies Act will not arise.

9. IMPLICATIONS OF DELISTING FOR SHAREHOLDERS

Shareholders should note that if:

(a) the Minimum Acceptance Condition is not met and all acceptances of the Exit Offer are returned; or

(b) the Minimum Acceptance Condition is met but the Dissenting Shareholders did not accept the Exit Offer and the Offeror is not entitled to compulsorily acquire, pursuant to Section 215(1) of the Companies Act, all the Shares of the Dissenting Shareholders at the Offer Price; or

(c) the Dissenting Shareholders are not entitled, pursuant to Section 215(3) of the Companies Act, to require the Offeror to acquire their Shares at the Offer Price,

then following the Delisting, Shareholders who had their acceptances returned or who did not accept the Exit Offer will continue to hold Shares in the Company, which will then be an unlisted public company.

Shares of unlisted or delisted public companies are generally valued at a discount to the shares of comparable listed companies due to the lack of marketability. Following the Delisting, it is likely to be difficult for Shareholders who do not accept the Exit Offer to sell their Shares in the absence of a public market for the Shares as there is no arrangement for such Shareholders to exit. Even if such Shareholders are able to sell their Shares, they will likely receive a lower price as compared with the Offer Price or the market prices of the shares of comparable listed companies.

Shareholders should also note that any transfer or sale of unlisted or unquoted Shares represented by share certificates will be subject to a stamp duty of S$0.20 for every S$100.00 or part thereof of the consideration or the net asset value of the Shares transferred based on the latest available financial statements, whichever is higher.

Following the Delisting, the Company will no longer be obliged to comply with the listing requirements of the SGX-ST, in particular the continuing corporate disclosure requirements under Chapter 7 of the Listing Manual and Appendices 7.1, 7.2, 7.4.1 and 7.4.2 of the Listing Manual. Nonetheless, as a company incorporated in Singapore, the Company will still need to comply with the Companies Act, the Company's constitution and the interests of Shareholders who do not accept the Exit Offer will be protected to the extent provided for by the Companies Act which includes, inter alia, the entitlement to be sent a copy of the financial statements at least 14 days before each annual general meeting, at which the financial statements will be presented.

*When the Company is delisted from the Official List of the SGX-ST, each Shareholder who holds Shares that are deposited with CDP and does not accept the Exit Offer will be entitled to one share certificate representing his unquoted Shares. The Company's share registrar, Tricor Barbinder Share Registration Services ("**Share Registrar**"), will arrange to forward the share certificates to such Shareholders (not being (i) investors who have purchased Shares using their Central Provident Fund ("**CPF**") contributions pursuant to the CPF Investment Scheme ("**CPFIS**" and such investors, "**CPFIS Investors**"); and (ii) investors who have purchased Shares using their Supplementary Retirement Scheme ("**SRS**") savings ("**SRS Investors**")), by ordinary post and at the Shareholders' own risk, to their respective addresses as such addresses appear in the records of CDP for their physical safekeeping.*

*The share certificates belonging to CPFIS Investors and the SRS Investors, as the case may be, will be forwarded to their respective agent banks included under the CPFIS and the SRS, as the case may be, for their safe-keeping, details of which are set out in **Appendix I** to this Offer Document. If a Shareholder wishes to split his share certificate into other denominations, he will be required to pay for each share certificate so required, a fee of S$2.00 (excluding goods and services tax).*

Shareholders who are in doubt about their position should seek independent legal advice."

2. TERMS OF THE EXIT OFFER

2.1 Terms of the Exit Offer

The Exit Offer is made by the Offeror on the principal terms set out in paragraph 3 of the Offer Document, extracts of which are set out below.

"*3.1 <u>Consideration</u>*

*Under the terms of the Exit Offer, the Offeror will make the Exit Offer at the offer price of **S$0.0305 in cash** for each Offer Share ("**Offer Price**").*

The Exit Offer is extended to all Offer Shares and the Offer Price is applicable to all Offer Shares tendered in acceptance of the Exit Offer. Shareholders may accept the Exit Offer in full or in part of their holdings of Offer Shares.

The Offer Shares are to be acquired:

(a) fully-paid;

*(b) free from all claims, charges, liens, mortgages, encumbrances, hypothecations, retention of title, power of sale, equity, options, rights of pre-emption, rights of first refusal or other third party rights or interests of any nature whatsoever (each, an "**Encumbrance**"), and*

*(c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date, and hereafter attaching thereto, including the right to receive and retain all dividends, rights, other distributions and return of capital (collectively, "**Distributions**") (if any), which may be announced, declared, paid or made by the Company, the Record Date for which falls on or after the Offer Announcement Date. For the purpose of this Offer Document, "**Record Date**" means, in relation to any Distributions, the date on which Shareholders must be registered with the Company or with The Central Depository (Pte) Limited ("**CDP**"), as the case may be, in order to participate in such Distributions.*

If any Distribution is announced, declared, paid or made by the Company on or after the Offer Announcement Date, and the Offeror is not entitled to receive such Distribution in full in respect of any Offer Share tendered in acceptance of the Exit Offer, the Offer Price payable in respect of such Offer Share will be reduced by the amount of such Distribution.

3.2 Warranty

Acceptance of the Exit Offer by a Shareholder will be deemed to constitute an unconditional and irrevocable warranty by that Shareholder that each Offer Share in respect of which the Exit Offer is accepted is sold by him as, or on behalf of, the beneficial owner(s) thereof, fully paid and free from all Encumbrances, and together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto (including the right to receive and retain all dividends, rights and other distributions, if any, declared, paid or made by the Company on or after the Offer Announcement Date).

3.3 Minimum Acceptance Condition

Pursuant to Rule 15.1 of the Code, a voluntary offer must be conditional upon the offeror receiving acceptances in respect of voting rights which, together with voting rights acquired or agreed to be acquired before or during the offer, will result in the offeror and person acting in concert with it holding more than 50% of the voting rights. Accordingly, the Exit Offer is conditional upon the Offeror having received, by the close of the Exit Offer, valid acceptances in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror and the parties acting in concert with it, will result in the Offeror and the parties acting in concert with it holding such number of Shares *carrying more than 50% of the voting rights attributable to the issued Shares (excluding any Shares held in treasury) as at the close of the Exit Offer ("**Minimum Acceptance Condition**").*

Accordingly, the Exit Offer will not become or be capable of being declared unconditional as to acceptances, unless at any time prior to or as at the Closing Date (as defined in paragraph 3.5 below), the Offeror has received valid acceptances in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror and the parties acting in concert with it, will result in the Offeror and the parties acting in concert with it holding such number of Shares carrying more than 50% of the voting rights attributable to the issued Shares (excluding any Shares held in treasury).

SHAREHOLDERS ARE TO NOTE THAT IF THE AFORESAID CONDITION IS NOT FULFILLED, THE COMPANY WILL STILL BE MANDATORILY DELISTED FROM THE OFFICIAL LIST OF THE SGX-ST. THE EXIT OFFER WILL ALSO LAPSE AND ALL ACCEPTANCES OF THE EXIT OFFER WILL BE RETURNED. IN SUCH EVENT, SHAREHOLDERS WILL HOLD SHARES IN AN UNLISTED PUBLIC COMPANY. PLEASE REFER TO PARAGRAPH 9 BELOW ON THE IMPLICATIONS OF HOLDING SHARES IN AN UNLISTED PUBLIC COMPANY."

2.2 Duration of the Exit Offer

The duration of the Exit Offer is set out in paragraph 3.5 of the Offer Document, extracts of which are set out below.

"*3.5 Duration*

*The Exit Offer will remain open for acceptance by Shareholders for a period of 28 days after the date of despatch of the Offer Document by the Offeror to the Shareholders. Accordingly, the Exit Offer will close at 5.30 p.m. (Singapore time) on 26 December 2019 ("**Closing Date**").*

The Offeror does not intend to extend the Exit Offer beyond the Closing Date (irrespective of whether the Exit Offer becomes or is declared to be unconditional as to acceptances), save that such notice of the Offeror's intention not to extend the Exit Offer beyond the Closing Date shall not be capable of being enforced in a competitive situation."

2.3 Details of the Exit Offer

Further details of the Exit Offer are set out in paragraph 3 and Appendix I to the Offer Document.

2.4 Procedure for Acceptance

Paragraph 12 and Appendix I to the Offer Document set out the procedures for acceptance of the Exit Offer by a Shareholder and additional information on the settlement of the consideration for the Exit Offer, extracts of which are set out below.

"*12.* ***ACCEPTANCE AND PROCEDURES FOR ACCEPTANCE***

Shareholders may choose to accept the Exit Offer in respect of all or part of their holdings of the Offer Shares.

If you hold Offer Shares that are deposited with CDP, you should receive a FAA together with this Offer Document. If you have not received the FAA, you may obtain a copy of the FAA during normal business hours from CDP, at 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588, upon production of satisfactory evidence that you are a Shareholder.

If you hold Offer Shares that are represented by share certificate(s) and are not deposited with CDP, you should receive a FAT together with this Offer Document. If you have not received the FAT, you may obtain a copy of the FAT from the Share Registrar, at 80 Robinson Road #11-02 Singapore 068898, upon production of satisfactory evidence that you are a Shareholder.

The Exit Offer may only be accepted by the relevant Shareholder to whom this Offer Document is addressed.

If you wish to accept the Exit Offer*, you should complete, sign and return the relevant Acceptance Form in accordance with the provisions and instructions on that Acceptance Form and in this Offer Document during the period commencing from the date of despatch of this Offer Document and ending at 5.30 p.m. (Singapore time) on the Closing Date.*

If you hold share certificate(s) of the Offer Shares beneficially owned by you and wish to accept the Exit Offer in respect of such Offer Shares, you ***SHOULD NOT*** *deposit the share certificate(s) with CDP during the period commencing on the date of this Offer Document and ending on the Closing Date (both dates inclusive) as the "Free Balance" of your securities account (not including a securities sub-account) maintained with CDP ("****Securities Account****") may not be credited with the relevant number of Offer Shares in time for you to accept the Exit Offer.*

If you decide not to accept the Exit Offer*, you do not have to take any action. In the event that the Minimum Acceptance Condition in respect of the Exit Offer is satisfied, you will continue to hold unquoted Shares in the Company as an unlisted public company. If you hold Shares that are deposited with CDP, a share certificate in respect of your Shares that are deposited with CDP will be sent, by ordinary post and at your own risk, to your address as it appears in the records of CDP, after the Company has been delisted from the Official List of the SGX-ST.*

Shareholders should note that the Exit Offer is conditional upon the Minimum Acceptance Condition being fulfilled. In the event that the Minimum Acceptance Condition is not fulfilled, the Exit Offer will lapse and both the Shareholders and the Offeror will cease to be bound by any prior acceptances of the Exit Offer by any Shareholder. Those Offer Shares in respect of which acceptances have been received shall be returned to the relevant Shareholders in accordance with the procedures set out in this Offer Document and the Acceptance Form(s). However, the Delisting will still proceed in view of the Delisting Notification. In such an event, Shareholders will hold shares in an unlisted public company. Please refer to paragraph 9 on the implications of Delisting for Shareholders.

The detailed procedures for acceptance and settlement of the Exit Offer are set out in ***Appendix I*** *to this Offer Document. Information pertaining to CPFIS Investors and SRS Investors can also be found in* ***Appendix I*** *to this Offer Document.*"

3. INFORMATION ON THE OFFEROR AND THE PARTIES ACTING IN CONCERT WITH IT

Paragraph 5 of the Offer Document sets out certain information on the Offeror and the parties acting in concert with it, extracts of which are set out below. Additional information on the Offeror extracted from Appendix II to the Offer Document is set out in **Appendix C** of this Circular.

"***5. INFORMATION ON THE OFFEROR AND THE PARTIES ACTING IN CONCERT WITH IT***

*The Offeror is a company incorporated in Hong Kong on 21 January 2005. Its principal activity is that of investment holding. As at the Latest Practicable Date, the Offeror has issued 10,000 shares with a par value of HK$1.00 per share, and the legal and beneficial shareholders of the Offeror are Cao Xiangbin, who holds 99.8% of the issued and paid-up share capital of the Offeror, and Chen Fen, who holds the remaining 0.2% of the issued and paid-up share capital of the Offeror. As at the Latest Practicable Date, the directors of the Offeror are Cao Xiangbin and Chen Fen ("****Offeror Directors****").*

As at the Latest Practicable Date, the Offeror is a controlling shareholder of the Company, holding a direct interest in 20,545,000 Shares, representing approximately 18.06% of the total number of issued Shares.

Fleur Growth Fund, which holds a direct interest in 29,996,214 Shares, representing approximately 26.37% of the total number of issued Shares, is a concert party of the Offeror pursuant to an agreement to privatise the Company.

As at the Latest Practicable Date, save as disclosed in this paragraph 5, there are no persons acting or presumed to be acting in concert with the Offeror under the Code for the purposes of the Exit Offer.

Appendix II *to this Offer Document sets out additional information on the Offeror.*"

4. IRREVOCABLE UNDERTAKING

Paragraph 3.4 of the Offer Document sets out certain information in relation to the irrevocable undertaking executed in favour of the Offeror in connection with the Exit Offer, extracts of which are set out below.

"*3.4 <u>Irrevocable Undertaking</u>*

*As at the Latest Practicable Date, Fleur Growth Fund Limited ("****Fleur Growth Fund****") has executed an irrevocable undertaking in favour of the Offeror not to accept the Exit Offer. Save for the foregoing, none of the Offeror and the parties acting in concert with the Offeror has received any other irrevocable commitment or undertaking from any person to accept or reject the Exit Offer.*"

5. RATIONALE FOR THE OFFER AND THE OFFEROR'S INTENTIONS FOR THE COMPANY

Paragraph 7 of the Offer Document sets out certain information on the rationale for the Exit Offer and the Offeror's intentions for the Company, extracts of which are set out below.

"***7. THE OFFEROR'S INTENTIONS FOR THE COMPANY***

The Exit Offer is made in compliance with Rules 1306,1309 and 1315 of the Listing Manual as stated in paragraph 1.2 above and the Company will be mandatorily delisted and become an unlisted public company subsequent to the close of the Exit Offer.

*Following the close of the Exit Offer, the Offeror has no current intention of (a) making material changes to the existing business, (b) re-deploying the fixed assets, or (c) discontinuing the employment of the employees of the Company and its subsidiaries ("**Group**"), other than in the ordinary course of business. Nonetheless, the Offeror retains the flexibility at any time to consider options or opportunities which may present themselves, and which it regards to be in the interests of the Offeror and/or the Company.*"

6. LISTING STATUS AND COMPULSORY ACQUISITION

Paragraphs 8 and 9 of the Offer Document set out the intentions of the Offeror relating to the listing status of the Company and its rights of compulsory acquisition in respect of the Company, extracts of which are set out in paragraph 1.6 of this Circular.

7. ADVICE OF THE IFA TO THE INDEPENDENT DIRECTORS

7.1 IFA

CICF has been appointed as the independent financial adviser to advise the Independent Directors in respect of the Exit Offer. Shareholders should read and consider carefully the advice and recommendation of the IFA to the Independent Directors in respect of the Exit Offer as contained in the IFA Letter and the recommendation of the Independent Directors before deciding on whether to accept or reject the Exit Offer. The IFA Letter is set out in **Appendix A** to this Circular.

7.2 IFA's Advice

Information relating to the advice and recommendation of the IFA to the Independent Directors and the key factors it has taken into consideration have been extracted from paragraph 11 of the IFA Letter and reproduced below, and all terms and expressions used in the extracts below shall bear the same meanings as attributed to them in the IFA Letter unless otherwise stated. **Shareholders are advised to read the following extracts in conjunction with, and in the context of the full text of the IFA Letter.**

"***11. RECOMMENDATION***

In arriving at our recommendation in relation to the Exit Offer, we have taken into account the factors which we consider to have a significant bearing on our assessment as outlined in our analyses set out under paragraphs 10.1 to 10.7.

In evaluating and assessing the financial terms of the Exit Offer, we have given due consideration to the following:

(a) An assessment of the historical market price and trading activities of the Shares

(i) The closing price of the Shares were higher than the Offer Price for 92 Market Days out of 251 Market Days over the last 12-month period prior to the Last Traded Day;

(ii) The Offer Price represents a premium of 79.41%, 408.33%, 408.33% and 510.00% to the VWAP for the 12-month, 6-month, 3-month and 1-month periods prior to the Last Traded Day respectively;

(iii) The Offer Price represents a premium of 916.67% to the Last Transacted Price; and

(iv) There has been no trading of Shares subsequent to the suspension of the trading of Shares since 3 April 2019.

(b) An assessment of the historical Share price performance relative to the FSSTI showed that for the 12-month period prior to the Last Traded Day, the Shares had generally underperformed the FSSTI on a normalised basis.

(c) An assessment of the NTL and Revalued NTL of the Group as follow:

(i) The Offer Price is at a premium to the adjusted unaudited NTL of the Group; and

(ii) The Offer Price is also at a premium to the unaudited Revalued NTL of the Group.

(d) A comparison with the valuation ratios of the Selected Comparable Companies as follows:

(i) The P/E ratio of the Group is negative and not meaningful as the Group incurred a loss after tax of approximately RMB166.6 million for the financial year ended 31 December 2018, whilst the Comparable Companies were traded at PER of between 6.4 times and 16.1 times;

(ii) The P/NAV ratio of the Group, implied by the Offer Price, is negative and not meaningful as the Group has a net liability position of RMB596.4 million as at 31 December 2018. The Selected Comparable Companies were traded P/NTA ratios of between 0.7 times and 1.5 times;

(iii) The P/NTA ratio of the Group, as implied by the Offer Price, is negative and not meaningful as the Group has a net tangible liability position of RMB605.9 million as at 31 December 2018. The Selected Comparable Companies were traded at P/NTA ratios of between 0.7 times and 1.6 times; and

(iv) The EV/EBIT ratio of the Group, as implied by the Offer Price, is negative and not meaningful as the Group has a loss before earnings, interest and tax of RMB97.7 million for the financial year ended 31 December 2018. The Selected Comparable Companies were traded at EV/EBIT ratios of between 7.0 times and 44.8 times.

(e) A comparison with the Selected Directed Delistings as follows:

(i) The premium of 916.7% implied by the Offer Price to the Last Transacted Price is above the range of the Selected Directed Delisting;

(ii) The premium of 510.0% implied by the Offer Price over the 1-month VWAP prior to the Exit Offer Announcement Date is above the range of the Selected Directed Delistings; and

(iii) The premium of 408.3% implied by the Offer Price over the 3-month VWAP prior to the Exit Offer Announcement is above the range of the Selected Directed Delistings.

(f) Other relevant factors for consideration as set out in Section 10.7 above.

Having considered the above and subject to the assumptions and qualifications set out in this IFA Letter, we are of the opinion that on balance, the financial terms of the Exit Offer are FAIR AND REASONABLE. Accordingly, we advise the Independent Directors to recommend that the Shareholders ACCEPT the Exit Offer.

*We are of the opinion that the Exit Offer is **FAIR** taking into consideration (i) the premia of the Offer Price over the VWAP of the Shares over the 12-month, 6-month, 3-month and 1-month periods prior to the Last Traded Day as well as its premium over the Last Traded Price, (ii) the premia of the Offer Price over the NTL and Revalued NTL per Share of the Group, (iii) the comparison of the various financial ratios implied by the Offer Price against the respective financial ratios implied by the share prices of Selected Comparable Companies, and (iv) the comparison of the premia of the Offer Price over VWAP of the Shares over 3-month, 1-month and the Last Traded Price against respective premia observed for Selected Directed Delistings.*

*We are of the opinion that the Exit Offer is **REASONABLE** taking into consideration factors as outlined in paragraph 10.7 of this IFA Letter.*

The Independent Directors should note that transactions of the Shares are subject to possible market fluctuations and, accordingly, our opinion and advice on the Exit Offer does not and cannot take into account the future transactions or price levels that may be established for the Shares since these are governed by factors beyond the ambit of our review."

8. INDEPENDENT DIRECTORS' RECOMMENDATION

The Independent Directors have reviewed the terms of the Exit Offer and have carefully considered the advice of the IFA in its letter set out in **Appendix A** to this Circular. The Independent Directors **concur** with the advice of the IFA in respect of the Exit Offer. Accordingly, the Independent Directors recommend that Shareholders **ACCEPT** the Exit Offer.

Shareholders who wish to retain all or part of their investment in the Shares are advised to take into consideration the implications of holding on to Shares in an unlisted or delisted company (as set out in paragraph 9 of the Offer Document, extracts of which are set out in paragraph 1.6 of this Circular).

Shareholders are advised to read the IFA Letter set out in Appendix A to this Circular and other relevant information set out in this Circular and the Offer Document carefully before deciding whether to accept or reject the Exit Offer. In rendering the above advice and giving the above recommendation, both the IFA and the Independent Directors have not had regard to the specific investment objectives, financial situation, tax status or position, risk profiles or particular needs and constraints or other particular circumstances of any individual Shareholder. As each Shareholder would have different investment objectives and profiles, the Independent Directors recommend that any individual Shareholder who may require specific advice in relation to his investment portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

9. OVERSEAS SHAREHOLDERS

Paragraph 13 of the Offer Document sets out information in relation to Overseas Shareholders, extracts of which are set out below.

"***13. OVERSEAS SHAREHOLDERS***

13.1 Overseas Shareholders

*The availability of the Exit Offer to the Shareholders whose addresses are outside Singapore, as shown on the Register of Members of the Company or in the records of CDP (as the case may be) (each, an "**Overseas Shareholder**") may be affected by the laws of the relevant overseas jurisdictions in which they are located. Accordingly, all Overseas Shareholders should inform themselves of, and observe, any applicable requirements in the relevant overseas jurisdictions, and exercise caution in relation to the Exit Offer, as this Offer Document, the Acceptance Forms and any other formal documentation relating to the Exit Offer ("**Delisting Documents**") have not been reviewed by any regulatory authority in any overseas jurisdiction.*

***Where there are potential restrictions on sending the Delisting Documents to any overseas jurisdictions, the Offeror reserves the right not to send these documents to Overseas Shareholders in such overseas jurisdictions**. For the avoidance of doubt, the Exit Offer is open to all the Shareholders holding Offer Shares, including those to whom the Delisting Documents have not been, or may not be, sent, provided that the Delisting Documents shall not be construed as, may not* *be used for the purpose of, and do not constitute a notice or proposal or advertisement or an offer or invitation or solicitation in any jurisdiction or in any circumstances in which such notice or proposal or advertisement or an offer or invitation or solicitation is unlawful or unauthorised, or to any person to whom it is unlawful to make such a notice of proposal or advertisement or an offer or invitation or solicitation.*

13.2 Restricted Jurisdictions

*Copies of the Delisting Documents are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any jurisdiction where the making of or the acceptance of the Exit Offer would violate the laws of that jurisdiction ("**Restricted Jurisdiction**") and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from any Restricted Jurisdiction.*

The Exit Offer (unless otherwise determined by the Offeror and permitted by applicable law and regulation) will not be made, directly or indirectly, in or into, or by the use of mails of, or by any means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of, any Restricted Jurisdiction and the Exit Offer will not be capable of acceptance by any such use, means, instrumentality or facilities within any Restricted Jurisdiction.

13.3 Copies of the Delisting Documents

Subject to compliance with applicable laws, any affected Overseas Shareholder may, nonetheless, attend in person and obtain a copy of the Delisting Documents during normal business hours, from the date of this Offer Document and up to the Closing Date, from the office of the Share Registrar at 80 Robinson Road #11-02 Singapore 068898. Alternatively, an Overseas Shareholder may, subject to compliance with applicable laws, write in to the Share Registrar at 80 Robinson Road #11-02 Singapore 068898 to request for the Delisting Documents to be sent to an address in Singapore by ordinary post at the Overseas Shareholder's own risk, up to five (5) market days prior to the Closing Date.

13.4 Responsibility of Overseas Shareholders

It is the responsibility of any Overseas Shareholder who wishes to (a) request for the Delisting Documents, and/or (b) accept the Exit Offer, to satisfy himself as to the full observance of the laws of the relevant jurisdiction in that connection, including the obtaining of any governmental or other consent which may be required, and compliance with all necessary formalities or legal requirements and the payment of any taxes, imposts, duties or other requisite payments due in such jurisdiction. Such Overseas Shareholder shall be liable for any such taxes, imposts, duties or other requisite payments payable and the Offeror, CDP, the Company and/or any person acting on its behalf shall be fully indemnified and held harmless by such Overseas Shareholder for any such taxes, imposts, duties or other requisite payments as the Offeror, CDP, the Company and/or any person acting on its behalf may be required to pay. In (i) requesting for the Delisting Documents, and/or (ii) accepting the Exit Offer, the Overseas Shareholder represents and warrants to the Offeror, CDP and the

Company that he is in full observance of the laws of the relevant jurisdiction in that connection, and that he is in full compliance with all necessary formalities or legal requirements.

Any Overseas Shareholder who is in any doubt about his position should consult his professional adviser in the relevant jurisdiction.

13.5 Notice

The Offeror reserves the right to (a) reject any acceptance of the Exit Offer where it believes, or has reason to believe, that such acceptance may violate the applicable laws of any jurisdiction, and (b) notify any matter, including the despatch of the Delisting Documents, and the fact that the Exit Offer has been made, to any or all of the Shareholders (including the Overseas Shareholders) by announcement to the SGX-ST and if necessary, paid advertisement in a newspaper published and circulated in Singapore, in which case such notice shall be deemed to have been sufficiently given notwithstanding any failure by any Shareholder to receive or see such announcement or advertisement."

10. ACTION TO BE TAKEN BY THE SHAREHOLDERS

Shareholders may choose to accept the Exit Offer in respect of all or part of their holdings of the Offer Shares. Shareholders who wish to accept the Exit Offer must do so not later than **5.30 P.M. ON THE CLOSING DATE**. Shareholders who wish to accept the Exit Offer should follow the "Acceptance and Procedures for Acceptance" as set out in paragraph 12 and Appendix I to the Offer Document.

Shareholders who do not wish to accept the Exit Offer need not take any further action in respect of the Offer Document, the FAA and the FAT and any related documents which have been sent to them.

The detailed procedures for acceptance and settlement of the Exit Offer are set out in Appendix I to the Offer Document. Information pertaining to CPFIS Investors and SRS Investors can also be found in paragraph 14 and Appendix I to the Offer Document.

11. CONSENT FROM THE IFA AND THE VALUER

11.1 CICF, named as the IFA, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name in this Circular, the IFA Letter set out in **Appendix A** to this Circular and all references thereto in the form and context in which they appear in this Circular.

11.2 The Valuer has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name in this Circular, its valuation reports set out in **Appendix H** to this Circular and all references thereto in the form and context in which they appear in this Circular.

12. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors (including those who may have delegated detailed supervision of this Circular) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this Circular (other than those relating to the Offeror, parties acting in concert with the Offeror, the Exit Offer, the IFA, the IFA Letter set out in **Appendix A** to this Circular, the Valuer and the valuation reports from the Valuer set out in **Appendix H** to this Circular) are fair and accurate and that no material facts have been omitted from this Circular, the omission of which would make any statement in this Circular misleading.

In respect of the IFA Letter and the valuation reports from the Valuer set out in **Appendix H** to this Circular, the sole responsibility of the Directors has been to ensure that the facts stated therein with respect to the Group are fair and accurate. Where any information in this Circular (other than the IFA Letter and the valuation reports from the Valuer set out in **Appendix H** to this Circular) has been extracted or reproduced from published or otherwise publicly available sources or obtained from the Offeror, the sole responsibility of the Directors has been to ensure, through reasonable enquiries, that such information has been accurately and correctly extracted from such sources or, as the case may be, accurately reflected or reproduced in this Circular in its proper form and context. The Directors jointly and severally accept full responsibility accordingly.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the office of the Company's share registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road #11-02 Singapore 068898 during normal business hours for the period for which the Exit Offer remains open for acceptance:

(a) the Offer Announcement;

(b) the IFA Letter as set out in **Appendix A** of this Circular;

(c) the valuation reports of the Valuer as set out in **Appendix H** of this Circular;

(d) the Constitution;

(e) the annual reports of the Company for the financial years ended 31 December 2016 and 31 December 2017;

(f) the unaudited consolidated financial statements of the Group for the financial year ended 31 December 2018 and first quarter ended 31 March 2019; and

(g) the letters of consent referred to in paragraph 11 of this Circular.

14. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices which form part of this Circular.

Yours faithfully
For and on behalf of
the Board of Directors of
CHINA GAOXIAN FIBRE FABRIC HOLDINGS LTD.

Xie Ruliang
Non-Executive and Non-Independent Chairman

12 December 2019

The Independent Directors
China GaoXian Fibre Fabric Holdings Ltd.
Industrial Area of Balidian Town
Wuxing District, Huzhou City
Zhejiang Province
People's Republic of China
313002

Dear Sirs,

VOLUNTARY CONDITIONAL CASH OFFER BY CHINA SUCCESS GROUP (INTERNATIONAL HOLDINGS) LIMITED FOR ALL THE ISSUED AND PAID-UP ORDINARY SHARES IN THE CAPITAL OF CHINA GAOXIAN FIBRE FABRIC HOLDINGS LTD. OTHER THAN THOSE ALREADY OWNED, CONTROLLED, OR AGREED TO BE ACQUIRED BY THE OFFEROR OR PARTIES ACTING IN CONCERT OR DEEMED TO BE ACTING IN CONCERT WITH THE OFFEROR

*Unless otherwise defined or the context requires otherwise, all terms used herein have the same meanings as defined in the document dated 12 December 2019 (the "**Offeree Document**") issued to the Shareholders of the Company in relation to the Exit Offer. Any discrepancies in this IFA Letter (as defined below) between the sum of the figures stated and the total thereof are due to rounding. Accordingly, figures shown as total in this IFA Letter may not be arithmetic aggregation of the figures which precede them.*

1. INTRODUCTION

On 3 March 2016, China GaoXian Fibre Fabric Holdings Ltd. (the "**Company**" and collectively with its subsidiaries, the "**Group**") was placed on the financial watch-list ("**Watch-List**") by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") pursuant to Rule 1311 of the Listing Manual of the SGX-ST ("**Listing Manual**"). As announced by the Company on 28 February 2019, the Company received a notification letter from the SGX-ST ("**Delisting Notification**") on 27 February 2019, informing the Company that the SGX-ST will delist the Company from the Official List of the SGX-ST pursuant to Rule 1315 of the Listing Manual as the Company has not met the requirements under Rule 1314 of the Listing Manual for its removal from the Watch-List. Trading in the Company's securities has been suspended from 3 April 2019, and will remain suspended until completion of an exit offer.

On 7 November 2019 (the "**Offer Announcement Date**"), the Company and China Success Group (International Holdings) Limited (the "**Offeror**") jointly announced that the Offeror had presented to the directors of the Company (the "**Directors**") a formal proposal to make an exit offer to the shareholders of the Company (the "**Shareholders**") pursuant to Rules 1306, 1309 and 1315 of the Listing Manual (the "**Delisting Proposal**") in accordance with the Delisting Notification (the "**Offer Announcement**").

Under the Delisting Proposal, the Offeror will make a voluntary conditional cash offer ("**Exit Offer**") for all the issued and paid-up ordinary shares in the capital of the Company ("**Shares**") other than those already owned, controlled or agreed to be acquired by the Offeror or by parties acting in concert or deemed to be acting in concert with the Offeror as at the date of the Exit Offer ("**Offer Shares**") in accordance with Section 139 of the Securities and Futures Act, Chapter 289 of Singapore ("**SFA**") and the Singapore Code on Take-overs and Mergers ("**Code**").

A copy of the Offer Announcement and the Offer Document dated 28 November 2019 ("**Offer Document**") are available on the website of the SGX-ST at www.sgx.com.

In connection with the above, CEL Impetus Corporate Finance Pte. Ltd. ("**CICF**") has been appointed by the Company as the independent financial adviser ("**IFA**") to the directors of the Company who are considered independent for the purposes of making recommendation to the Shareholders in respect of the Exit Offer as required under the Code and the Listing Manual (the "**Independent Directors**").

This letter ("**IFA Letter**") sets out our evaluation and assessment of the financial terms of the Exit Offer and our recommendation to the Independent Directors. This IFA Letter will be included in the Offeree Document to be issued by the Company to the Shareholders, providing details and the recommendation of the Independent Directors with regards to the Exit Offer.

2. TERMS OF REFERENCE

CICF has been appointed by the Company as the IFA to provide an opinion relating to the terms of the Exit Offer to the Independent Directors in compliance with the provisions of the Code and the Listing Manual. We have confined our evaluation and assessment to the financial terms of the Exit Offer.

CICF is not a party to the negotiations or discussions relating to the Exit Offer. Our terms of reference do not require us to evaluate, comment, advise or form a view on the rationale, and/or merits of the Exit Offer or the listing status of the Company or future prospects of the Group. We have not been instructed or authorised to solicit, and we have not solicited, any indications of interest from any third party with respect to the Offer Shares. Accordingly, we do not compare nor express any opinion on the relative merits of the Exit Offer vis-à-vis any alternative transactions previously considered by the Company or that may otherwise be available to the Company in the future.

In evaluating the financial terms of the Exit Offer, we have held discussions with the Directors and management of the Company (the "**Management**") and have examined and relied on publicly available information collated by us as well as information provided and representations made, both written and verbal, by the Directors and the Management. We have not independently verified such information or representations, whether written or verbal, and therefore cannot and do not make any representation or warranty, express or implied, in respect of, and do not accept any responsibility for the accuracy, completeness or adequacy of such information or representations. However, we have made reasonable enquiries and exercised our judgement on the reasonable use of such information and found no reason to doubt the accuracy or reliability of such information.

We have relied upon the assurances of the Directors and the Management that after making all reasonable enquiries and to the best of their knowledge and belief, all material information or facts relating to the Exit Offer, the Company and/or the Group has been disclosed to us, that such information constitutes true, complete and accurate disclosure of all material facts about the Exit Offer, the Company and/or the Group and the Directors and the Management are not aware of any material information or facts the omission of which would make any information disclosed to us or statement in the Offeree Document to be inaccurate, incomplete or misleading in any material respect. The Directors have jointly and severally accepted full responsibility for such information described herein.

In evaluating the financial terms of the Exit Offer and in arriving at our opinion thereon, we have not relied upon any financial projections or forecasts in respect of the Company and/or Group. We are not required to express and we do not express any view on the growth prospects and earnings potential of the Company and/or the Group. Accordingly, we are not expressing any view herein as to the prices at which the Shares may be disposed of after the close of the Exit Offer given that the Company will be delisted after the Exit Offer.

We have not made any independent evaluation or appraisal of the assets and liabilities of the Company and/or the Group (including but not limited to property, plant and equipment). However, in connection with the Exit Offer, the Company has commissioned Independent Valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("**JLL**"), to value the machinery, vehicles, office equipment (the "**Assets**") and the properties of the Group (collectively, the "**Fixed Assets**"). JLL has issued two valuation reports dated 9 December 2019 and 6 December 2019 respectively, which are set out in Appendix H to the Offeree Document. In this regard, the Management has confirmed to us that the above-mentioned valuation carried out by JLL covered all material assets and liabilities of the Group. For more details, please refer to the valuation reports set out in Appendix H to the Offeree Document.

We are not experts in the evaluation or appraisal of the assets and liabilities of the Group and we have relied on the independent valuation by JLL for such appraisal and have not made any independent verification of the contents in JLL's valuation reports. Whilst care has been exercised in reviewing JLL's valuation reports and we made reasonable enquiries and exercised our judgement, we do not assume any responsibility, expressed or implied, for the contents in JLL's valuation reports, including the bases and assumptions of the valuation as contained therein or if the contents thereof have been prepared and/or included in the Offeree Document in accordance with all applicable regulatory requirements.

Our opinion as set out herein is based upon market, economic, industry, monetary and other conditions prevailing on, and the information provided to us as of 5 December 2019, being the latest practicable date prior to the printing of the Offeree Document (the "**Latest Practicable Date**"). Such conditions may change significantly over a relatively short period of time. We assume no responsibility to update, revise or reaffirm our opinion in light of any subsequent development after the Latest Practicable Date that may affect our opinion contained herein. Shareholders should take note of any announcements relevant to their consideration of the Exit Offer which may be released by the Company and/or the Offeror after the Latest Practicable Date.

In rendering our opinion, we have not considered the specific investment objectives, financial situation, tax position, risk profiles or unique needs and constraints of any individual Shareholder. As different Shareholders would have different investment profiles and objectives, we advise the Independent Directors to recommend that any individual Shareholder who may require specific advice in relation to his/her investment portfolio or objectives should consult his/her stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

The Company has been separately advised by its own professional advisers in the preparation of the Offeree Document (other than this IFA Letter). We have no role or involvement and have not provided any advice, financial or otherwise, whatsoever in the preparation, review and verification of the Offeree Document (other than this IFA Letter). Accordingly, we take no responsibility for and express no views, expressed or implied, on the contents of the Offeree Document (other than this IFA Letter).

Whilst a copy of this IFA Letter may be reproduced in the Offeree Document, neither the Company, the Directors, the Management, nor any other persons may reproduce, disseminate or quote this IFA Letter (or any part thereof) for any other purposes other than for the purpose of the Exit Offer at any time and in any manner without the prior written consent of CICF in each specific case.

This IFA Letter is for the use and benefit of the Independent Directors and the recommendation made by them to the Shareholders remains the sole responsibility of the Independent Directors. Shareholders should also take note of any announcements relevant to the Exit Offer which may be released by the Company and/or the Offeror after the Latest Practicable Date.

Our recommendation in relation to the Exit Offer should be considered in the context of the entirety of this IFA Letter and the Offeree Document.

3. TERMS AND CONDITIONS OF THE EXIT OFFER

Shareholders should have received a copy of the Offer Document, setting out, *inter alia*, the terms and conditions of the Exit Offer. The terms and conditions of the Exit Offer are set out in Section 3 in the Offer Document. **Shareholders are advised to read the terms and conditions of the Exit Offer set out in the Offer Document carefully.**

Based on the information set out in the Offer Document, the Offeror has made an Exit Offer to acquire all the Shares, other than those already owned, controlled or agreed to be acquired by the Offeror or by parties acting in concert or deemed to be acting in concert with the Offeror as at the date of the Exit Offer, in accordance with Section 139 of the SFA and the Code. The principal terms of the Exit Offer, as extracted from the Offer Document is set out below:

"3.1 Consideration

*Under the terms of the Exit Offer, the Offeror will make the Exit Offer at the offer price of **S$0.0305 in cash** for each Offer Share ("**Offer Price**").*

The Exit Offer is extended to all Offer Shares and the Offer Price is applicable to all Offer Shares tendered in acceptance of the Exit Offer. Shareholders may accept the Exit Offer in full or in part of their holdings of Offer Shares.

The Offer Shares are to be acquired:

(a) fully-paid;

*(b) free from all claims, charges, liens, mortgages, encumbrances, hypothecations, retention of title, power of sale, equity, options, rights of pre-emption, rights of first refusal or other third party rights or interests of any nature whatsoever (each, an "**Encumbrance**"); and*

*(c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date, and hereafter attaching thereto, including the right to receive and retain all dividends, rights, other distributions and return of capital (collectively, "**Distributions**") (if any), which may be announced, declared, paid or made by the Company, the Record Date for which falls on or after the Offer Announcement Date. For the purpose of this Offer Document, "**Record Date**" means, in relation to any Distributions, the date on which Shareholders must be registered with the Company or with The Central Depository (Pte) Limited ("**CDP**"), as the case may be, in order to participate in such Distributions.*

If any Distribution is announced, declared, paid or made by the Company on or after the Offer Announcement Date, and the Offeror is not entitled to receive such Distribution in full in respect of any Offer Share tendered in acceptance of the Exit Offer, the Offer Price payable in respect of such Offer Share will be reduced by the amount of such Distribution.

3.2 Warranty

Acceptance of the Exit Offer by a Shareholder will be deemed to constitute an unconditional and irrevocable warranty by that Shareholder that each Offer Share in respect of which the Exit Offer is accepted is sold by him as, or on behalf of, the beneficial owner(s) thereof, fully paid and free from all Encumbrances, and together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto (including the right to receive and retain all dividends, rights and other distributions, if any, declared, paid or made by the Company on or after the Offer Announcement Date).

3.3 Minimum Acceptance Condition

*Pursuant to Rule 15.1 of the Code, a voluntary offer must be conditional upon the offeror receiving acceptances in respect of voting rights which, together with voting rights acquired or agreed to be acquired before or during the offer, will result in the offeror and person acting in concert with it holding more than 50% of the voting rights. Accordingly, the Exit Offer is conditional upon the Offeror having received, by the close of the Exit Offer, valid acceptances in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror and the parties acting in concert with it, will result in the Offeror and the parties acting in concert with it holding such number of Shares carrying more than 50% of the voting rights attributable to the issued Shares (excluding any Shares held in treasury) as at the close of the Exit Offer ("**Minimum Acceptance Condition**").*

Accordingly, the Exit Offer will not become or be capable of being declared unconditional as to acceptances, unless at any time prior to or as at the Closing Date (as defined in paragraph 3.5 below), the Offeror has received valid acceptances in respect of such number of Offer Shares which, when taken together with the Shares *owned, controlled or agreed to be acquired by the Offeror and the parties acting in concert with it, will result in the Offeror and the parties acting in concert with it holding such number of Shares carrying more than 50% of the voting rights attributable to the issued Shares (excluding any Shares held in treasury).*

SHAREHOLDERS ARE TO NOTE THAT IF THE AFORESAID CONDITION IS NOT FULFILLED, THE COMPANY WILL STILL BE MANDATORILY DELISTED FROM THE OFFICIAL LIST OF THE SGX-ST. THE EXIT OFFER WILL ALSO LAPSE AND ALL ACCEPTANCES OF THE EXIT OFFER WILL BE RETURNED. IN SUCH EVENT, SHAREHOLDERS WILL HOLD SHARES IN AN UNLISTED PUBLIC COMPANY. PLEASE REFER TO PARAGRAPH 9 BELOW ON THE IMPLICATIONS OF HOLDING SHARES IN AN UNLISTED PUBLIC COMPANY.

3.4 Irrevocable Undertakings

*As at the Latest Practicable Date, Fleur Growth Fund Limited ("**Fleur Growth Fund**") has executed an irrevocable undertaking in favour of the Offeror not to accept the Exit Offer. Save for the foregoing, none of the Offeror and the parties acting in concert with the Offeror has received any other irrevocable commitment or undertaking from any person to accept or reject the Exit Offer.*

3.5 Duration

*The Exit Offer will remain open for acceptance by Shareholders for a period of 28 days after the date of despatch of the Offer Document by the Offeror to the Shareholders. Accordingly, the Exit Offer will close at 5.30 p.m. (Singapore time) on 26 December 2019 ("**Closing Date**").*

The Offeror does not intend to extend the Exit Offer beyond the Closing Date (irrespective of whether the Exit Offer becomes or is declared to be unconditional as to acceptances), save that such notice of the Offeror's intention not to extend the Exit Offer beyond the Closing Date shall not be capable of being enforced in a competitive situation.

3.6 Procedures for Acceptance and Other Details of the Exit Offer

***Appendix I** to this Offer Document sets out the procedures for the acceptance of the Exit Offer and additional information on the settlement of the consideration for the Exit Offer."*

4. FINANCIAL ASPECTS OF THE EXIT OFFER

Financial aspects of the Exit Offer, as presented in Section 4 in the Offer Document, are reproduced in italics below:

"4. **Financial Aspects of the Exit Offer**

Since the trading of the Shares on the SGX-ST was suspended on 3 April 2019, it is no longer relevant to state:

(a) the closing price on the SGX-ST of the Shares (i) on the Latest Practicable Date; (ii) on the last full trading day on the SGX-ST immediately preceding the Offer

Announcement Date; and (iii) on the last market day of each of the six (6) calendar months preceding the Offer Announcement Date; and

(b) the highest and lowest closing prices during the period between the start of the six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date, and the respective dates of the relevant sales.

4.1 Closing Prices

For reference, the last closing prices of the Shares on the SGX-ST (reported by Bloomberg L.P.) on (i) the last market day of each of the six (6) calendar months prior to the suspension of the trading of the Shares on 3 April 2019; (ii) 2 April 2019, being the date on which the Shares were last traded on the SGX-ST; and (iii) the Latest Practicable Date are set out below:

Date	***Closing Price (S$)***
14 November 2019 (being the Latest Practicable Date)	*0.003*
2 April 2019 (Last Trading Day)	*0.003*
29 March 2019	*0.007*
28 February 2019	*0.008*
31 January 2019	*0.012*
31 December 2018	*0.017*
30 November 2018	*0.018*
31 October 2018	*0.018*

4.2 Highest and Lowest Prices

For reference, the highest and lowest closing price of the Shares on the SGX-ST (as reported by Bloomberg L.P.) during the period commencing six (6) months prior to the suspension of the trading of the Shares on 3 April 2019 are as follows:

	Closing Price (S$)	***Date(s) transacted***
Highest closing price	*0.021*	*3 October 2018*
Lowest closing price	*0.003*	*3 April 2019"*

5. INFORMATION ON THE OFFEROR AND THE PARTIES ACTING IN CONCERT WITH IT

Information on the Offeror and the parties acting in concert with it, as set out in Section 5 in the Offer Document, is reproduced in italics below.

"*The Offeror is a company incorporated in Hong Kong on 21 January 2005. Its principal activity is that of investment holding. As at the Latest Practicable Date, the Offeror has issued 10,000 shares with a par value of HK$1.00 per share, and the legal and beneficial shareholders of the Offeror are Cao Xiangbin, who holds 99.8% of the issued and paid-up share capital of the Offeror, and Chen Fen, who holds the remaining 0.2% of the issued and paid-up share capital of the Offeror. As at the Latest Practicable Date, the directors of the Offeror are Cao Xiangbin and Chen Fen ("**Offeror Directors**").*

As at the Latest Practicable Date, the Offeror is a controlling shareholder of the Company, holding a direct interest in 20,545,000 Shares, representing approximately 18.06% of the total number of issued Shares.

Fleur Growth Fund, which holds a direct interest in 29,996,214 Shares, representing approximately 26.37% of the total number of issued Shares, is a concert party of the Offeror pursuant to an agreement to privatise the Company.

As at the Latest Practicable Date, save as disclosed in this paragraph 5, there are no persons acting or presumed to be acting in concert with the Offeror under the Code for the purposes of the Exit Offer.

***Appendix II** to this Offer Document sets out additional information on the Offeror."*

6. INFORMATION ON THE COMPANY

The Company is incorporated in the Republic of Singapore on 9 September 2008 and was listed on the Main Board of the SGX-ST in September 2009. The principal activity of the Company is that of investment holding. The principal activity of its subsidiaries is the manufacture of premium differentiated fine polyester yarn and fabric in the People's Republic of China.

Appendix III to the Offer Document sets out additional information on the Company.

7. THE OFFEROR'S INTENTIONS FOR THE COMPANY

As disclosed in Section 7 in the Offer Document, the Exit Offer is made in compliance with Rules 1306,1309 and 1315 of the Listing Manual and the Company will be mandatorily delisted and become an unlisted public company subsequent to the close of the Exit Offer.

We note that following the close of the Exit Offer, the Offeror has no current intention of (a) making material changes to the existing business, (b) re-deploying the fixed assets, or (c) discontinuing the employment of the employees of the Company and the Group, other than in the ordinary course of business. Nonetheless, we note that the Offeror has retained the flexibility at any time to consider options or opportunities which may present themselves, and which it regards to be in the interests of the Offeror and/or the Company.

8. COMPULSORY ACQUISITION

Pursuant to Section 215(1) of the Companies Act, Chapter 50 of Singapore ("**Companies Act**"), if the Offeror receives valid acceptances pursuant to the Exit Offer in respect of not less than 90% of the total number of issued Shares, the Offeror would be entitled to exercise the right to compulsorily acquire all the Shares of Shareholders who have not accepted the Exit Offer ("**Dissenting Shareholders**"), at a price equal to the Offer Price. For the purpose of determining the 90% threshold under Section 215(1) of the Companies Act, Shares held by the Offeror, its related corporations and their respective nominees as at the date of the Exit Offer shall not be taken into account.

Dissenting Shareholders have the right under and subject to Section 215(3) of the Companies Act to require the Offeror to acquire their Offer Shares at the Offer Price in the event that the Offeror acquires, pursuant to the Exit Offer, such number of Shares which, together with the Shares held by the Offeror, its related corporations or their respective nominees, comprise 90% or more of the total number of issued Shares (excluding Shares held in treasury). Dissenting Shareholders who wish to exercise such rights are advised to seek their own independent legal advice. Unlike Section 215(1) of the Companies Act, the 90% threshold under Section 215(3) of the Companies Act does not exclude Shares held by the Offeror, its related corporations or their respective nominees.

We note that Fleur Growth Fund has undertaken not to accept the Exit Offer. Accordingly, such rights under Sections 215(1) and (3) of the Companies Act will not arise and Offeror will not be able to exercise any rights to compulsorily acquire any Offer Share.

9. IMPLICATIONS OF DELISTING FOR SHAREHOLDERS

Due to the impending mandatory delisting from the Official List of the SGX-ST following the close of the Exit Offer, Shareholders should take note of the implication of the Delisting. Shareholders are advised to read Section 9 of the Offer Document carefully, which has been reproduced in italics below:

"Shareholders should note that if:

(a) the Minimum Acceptance Condition is not met and all acceptances of the Exit Offer are returned; or

(b) the Minimum Acceptance Condition is met but the Dissenting Shareholders did not accept the Exit Offer and the Offeror is not entitled to compulsorily acquire, pursuant to Section 215(1) of the Companies Act, all the Shares of the Dissenting Shareholders at the Offer Price; or

(c) the Dissenting Shareholders are not entitled, pursuant to Section 215(3) of the Companies Act, to require the Offeror to acquire their Shares at the Offer Price,

then following the Delisting, Shareholders who had their acceptances returned or who did not accept the Exit Offer will continue to hold Shares in the Company, which will then be an unlisted public company.

Shares of unlisted or delisted public companies are generally valued at a discount to the shares of comparable listed companies due to the lack of marketability. Following the Delisting, it is likely to be difficult for Shareholders who do not accept the Exit Offer to sell their Shares in the absence of a public market for the Share as there is no arrangement for such Shareholders to exit. Even if such Shareholders are able to sell their Shares, they will likely receive a lower price as compared with the Offer Price or the market prices of the shares of comparable listed companies.

Shareholders should also note that any transfer or sale of unlisted or unquoted Shares represented by share certificates will be subject to a stamp duty of S$0.20 for every S$100.00 or part thereof of the consideration or the net asset value of the Shares transferred based on the latest available financial statements, whichever is higher.

Following the Delisting, the Company will no longer be obliged to comply with the listing requirements of the SGX-ST, in particular the continuing corporate disclosure requirements under Chapter 7 of the Listing Manual and Appendices 7.1, 7.2, 7.4.1 and 7.4.2 of the Listing Manual. Nonetheless, as a company incorporated in Singapore, the Company will still need to comply with the Companies Act, the Company's constitution and the interests of Shareholders who do not accept the Exit Offer will be protected to the extent provided for by the Companies Act which includes, inter alia, the entitlement to be sent a copy of the financial statements at least 14 days before each annual general meeting, at which the financial statements will be presented.

*When the Company is delisted from the Official List of the SGX-ST, each Shareholder who holds Shares that are deposited with CDP and does not accept the Exit Offer will be entitled to one share certificate representing his unquoted Shares. The Company's share registrar, Tricor Barbinder Share Registration Services ("**Share Registrar**"), will arrange to forward the share certificates to such Shareholders (not being (i) investors who have purchased Shares using their Central Provident Fund ("**CPF**") contributions pursuant to the CPF Investment Scheme ("**CPFIS**" and such investors, "**CPFIS Investors**"); and (ii) investors who have purchased Shares using their Supplementary Retirement Scheme ("**SRS**") savings ("**SRS Investors**")), by ordinary post and at the Shareholders' own risk, to their respective addresses as such addresses appear in the records of CDP for their physical safekeeping.*

*The share certificates belonging to CPFIS Investors and the SRS Investors, as the case may be, will be forwarded to their respective agent banks included under the CPFIS and the SRS, as the case may be, for their safe-keeping, details of which are set out in **Appendix I** to the Offer Document. If a Shareholder wishes to split his share certificate into other denominations, he will be required to pay for each share certificate so required, a fee of S$2.00 (excluding goods and services tax).*

Shareholders who are in doubt about their position should seek independent legal advice."

10. ASSESSMENT OF THE FINANCIAL TERMS OF THE EXIT OFFER

In evaluating and assessing the financial terms of the Exit Offer, we have given due consideration to the following:

(a) Market prices and trading activity of the Shares;

(b) Historical share price performance relative to the FTSE Straits Times Index ("**FSSTI**");

(c) NTA-based valuation of the Group;

(d) Comparison with financial ratios of Selected Comparable Companies (as defined below);

(e) Comparison with Selected Directed Delistings (as defined below);

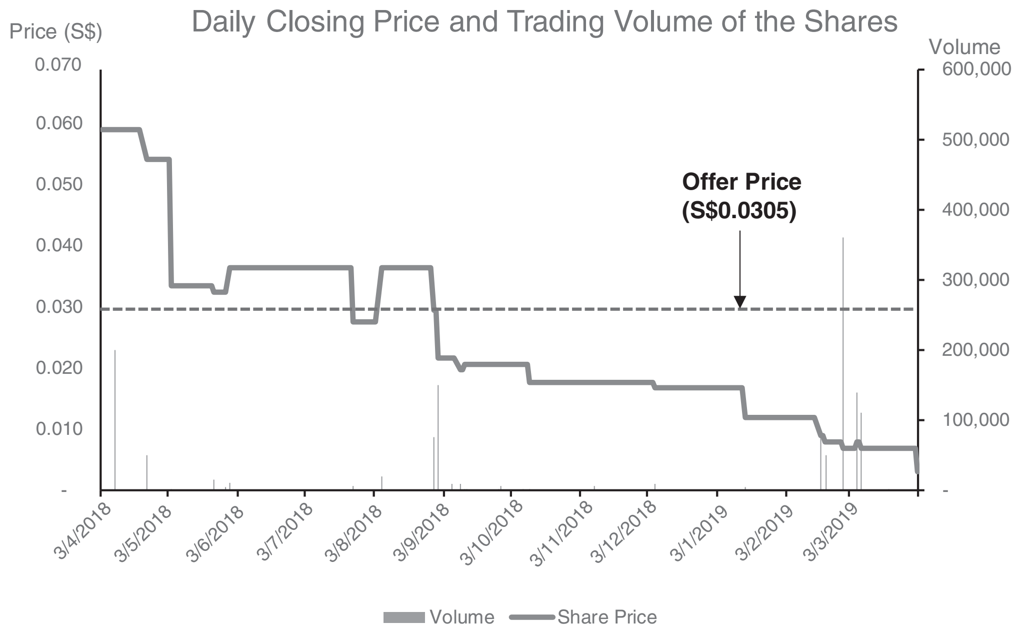
(f) Dividend track record of the Company; and

(g) Other relevant factors for consideration.

10.1 Market prices and trading activity of the Shares

We have compared the Offer Price against the historical market price of the Shares.

The historical price chart showing the closing prices and the trading volume of the Shares for the period commencing from 3 April 2018, being the 12-month period prior and up to the Last Traded Day (as defined below), is set out below:



Source: Bloomberg L.P.

A summary of the salient announcements made by the Company during the 12-month period prior to the Last Traded Day (as defined below) is set out below:

No	Date of Announcement	Event
1	*15-May-18*	*The Company announced its unaudited first quarter results for the period ended 31 March 2018, reporting a 13.1% increase in revenue to RMB717.4 million and a loss after income tax of RMB8.9 million as compared to a loss after tax of RMB52.7 million for the first quarter ended 31 March 2017.*
2	*27-Jul-18*	*The Company announced that the Company's wholly owned subsidiary, Zhejiang Huagang Polyester Industrial Co., Ltd. ("**Zhejiang Huagang**") plans to upgrade its existing production facilities and ancillary machinery and equipment for the production and sales of new Fully Drawn Yarn ("**FDY**") products and new Partially Oriented Yarn ("**POY**") products, which include Fire-Retardant POY, Nylon Filament POY, Black Yarn FDY, High shrinkage FDY and Regenerated FDY (the "**Project Huagang**") in response to the increased demand in the People's Republic of China and technology readiness for the production of new FDY and POY products.*

No	Date of Announcement	Event
3	*14-Aug-18*	*The Company announced its unaudited second quarter and first half results for the period ended 30 June 2018, reporting a 33.7% increase in revenue to RMB1.4 billion and a loss after income tax of RMB69.8 million as compared to a loss after income tax of RMB82.5 million in the previous corresponding half year period.*
4	*20-Aug-18*	*The Company announced the appointment of Mr Wong Kai Yin, Daniel as the Chief Financial Officer of the Company.*
5	*21-Aug-18*	*The Company announced that it had on 21 August 2018 entered into a sale and purchase agreement ("**SPA**") with Kingwealth International Investments Limited ("**Purchaser**"), pursuant to which the Company agreed to sell to the Purchaser, and the Purchaser agreed to acquire, all of the issued and paid-up shares ("**Sale Shares**") in the capital of Huaxiang China Gaoxian International Holdings Limited ("**Huaxiang Hong Kong**"), together with its subsidiaries, namely:* *(a) Huaxiang (China) Premium Fibre Co., Ltd. ("**Huaxiang China**");* *(b) Changle Bole Trading Co., Ltd. ("**Changle Bole**");* *(c) Huzhou Huaxiang Property Co., Ltd. ("**Huaxiang Property**"); and* *(d) Fujian New Huawei Fibre Dyeing Co., Ltd., ("**Fujian New Huawei**"),* *(collectively, together with Huaxiang Hong Kong, the "**Sale Subsidiaries**") on the terms and subject to the conditions of the SPA ("**Proposed Disposal**").*
6	*21-Aug-18*	*The Company announced that pursuant to the deed poll executed by the Company on 18 September 2013, the warrants W180918 (the "**Warrants**") will expire on 18 September 2018, being the date falling five years after the date of the first issue of the Warrants.*
7	*19-Sep-18*	*The Company announced that the number of issued ordinary shares of the Company has increased from 113,749,997 ordinary shares to 113,750,147 ordinary shares by way of allotment and issuance of 150 new ordinary shares pursuant to the exercise of 150 warrants at the exercise price of S$2.00 each, on 19 September 2018.*

No	Date of Announcement	Event
8	*14-Nov-18*	*The Company announced its unaudited third quarter and nine months results for the period ended 30 September 2018. As at 30 September 2018, the assets and liabilities related to the Proposed Disposal Group have been presented in the balance sheet as "**Assets of disposal group classified as held for sale**" and "**Liabilities directly associated with disposal group classified as held for sale**", and its results are presented separately on profit or loss as "**Loss from discontinued operation, net of tax**". The continued operation includes the company, Huagang, and Guangda which are currently inactive. Therefore, there is no revenue and corresponding cost of sales for both the nine months ended 30 September 2017 and nine months ended 30 September 2018. The Company had a loss after tax of RMB77.5 million for the nine months ended 30 September 2018 as compared to a loss after tax of RMB104.7 million for the previous corresponding nine months period.*
9	*27-Nov-18*	*The Company announced that its wholly-owned subsidiary, Zhejiang Huagang Polyester Industrial Co., Ltd. ("**Zhejiang Huagang**") has entered into lease agreements and supplemental agreements with several leases.*
10	*23-Jan-19*	*The Company announced that as the Circular, together with a notice of the EGM to be convened, to seek Shareholders' approval for the Proposed Disposal as a major transaction under Chapter 10 of the Listing Manual, is pending review by SGX-ST, the Company and the Purchaser, Kingwealth International Investments Limited, had on 23 January 2019 entered into a supplemental agreement to the SPA (the "**Supplemental Agreement**") to extend the long stop date for the fulfilment or waiver of the conditions precedent relating to the Proposed Disposal to 1 April 2019.*
11	*18-Feb-19*	*The Company announced that Zhejiang Henrong Trading Co., Ltd., (浙江恒容贸易有限公司) (the "**Subsidiary**") the Company's indirect wholly-owned subsidiary incorporated in the People's Republic of China, has submitted an application for striking-off to the administration for industry and commerce of Huzhou city and the tax bureau of Huzhou city as part of the group structure rationalisation exercise as well as to reduce the compliance cost of maintaining the Subsidiary.*
12	*19-Feb-19*	*The Company announced that the Company has submitted an application to the SGX-ST for a 12-months extension of time to meet the requirements of Rule 1314 of the Listing Manual of the SGX-ST to exit from the SGX-ST watch list (the "**Application**").*

No	Date of Announcement	Event
13	*28-Feb-19*	*The Company announced that the Company has received a notification of delisting dated 27 February 2019 from the SGX-ST (the "**Delisting Notification**").*
14	*01-Mar-19*	*The Company announced its unaudited fourth quarter and full year results for the period ended 31 December 2018.* *As at 31 December 2018, the assets and liabilities related to the Proposed Disposal Group have been presented in the balance sheet as "**Assets of disposal group classified as held for sale**" and "**Liabilities directly associated with disposal group classified as held for sale**", and its results are presented separately on profit or loss as "**Loss from discontinued operation, net of tax**". The continued operation includes the company, Huagang, and Guangda which are currently inactive. Therefore, there is no revenue and corresponding cost of sales for the full year ended 31 December 2017 and full year ended 31 December 2018. The Company had a loss after tax of RMB73.3 million for the full year ended 31 December 2018 as compared to a loss after tax of RMB115.0 million for the previous corresponding full year period.*
15	*05-Mar-19*	*The Company announced that the Company has reapplied (the "**Extension Application**") to the SGX-ST for an extension of time of 60 days, up till 29 June 2019, from the current deadline of 30 April 2019, for the Company to comply with Rule 707(1) of the Listing Manual in respect of holding its AGM for FY2018 ("**Extension of Time**"). The Company has also submitted the application of extension of time of 60 days for Section 175 and Section 197 of the Act in order to extend the due date to hold its AGM and file its Annual Return by 29 June 2019 and 30 July 2019 respectively.*
16	*18-Mar-19*	*The Company announced that the ACRA had on 18 March 2019 granted the Company's application for an extension of time of 60 days to hold its AGM and file its Annual Return by 29 June 2019 and 30 July 2019 respectively.*
17	*20-Mar-19*	*The Company announced the SGX-ST has no objection to the Company's application for extension of time to 31 May 2019 to comply with Rule 707(1) of the Listing Manual subject to certain conditions.*
18	*01-Apr-19*	*The Company announced the rejection of the Application and that pursuant to the Delisting Notification, trading in the Company's securities will continue until 5.05 p.m. on 2 April 2019 and thereafter, trading will remain suspended until the completion of the exit offer.*
19	*02-Apr-19*	*The Company requested for suspension with immediate effect on 2 April 2019 at approximately 5:50 pm.*

Based on the above, we note that over the last 12-month period prior to and up to 2 April 2019, being the last day prior to the Offer Announcement Date where Shares were traded (the "**Last Traded Day**"), the closing prices for the Shares were higher than the Offer Price for 92 Market Days out of 251 Market Days. Furthermore, we noted that the Offer Price is at a discount of approximately 49.17% to the highest closing price over the last 12-month period prior to and up to the Last Traded Day of S$0.06 on 9 April 2018.

However, we also noted that the Offer Price is at a premium of 916.67% to the last transacted price of S$0.003 (the "**Last Transacted Price**") on the Last Traded Day. The trading of the Shares has been suspended since 3 April 2019.

We have also compared the volume weighted average price ("**VWAP**") of Shares for selected reference periods between 12-month period prior to the Last Traded Day and to the Latest Practicable Date as set out in the table below:

	Lowest traded price (S$)	Highest traded price (S$)	VWAP(1)/ Last Transacted Price (S$)	Premium/ (discount) of Offer Price(2) over VWAP (S$)
Periods prior to the Last Traded Day(3)				
Last 12 months	0.003	0.060	0.017	79.41
Last 6 months	0.003	0.021	0.006	408.33
Last 3 months	0.003	0.012	0.006	408.33
Last 1 month	0.003	0.008	0.005	510.00
Last Traded Day	0.003	0.008	0.003	916.67
Periods after the Offer Announcement Date(4)				
Market Day immediately after the Offer Announcement Date	N.A.	N.A.	N.A.	N.A.
Between the Market Day immediately after the Offer Announcement Date and the Latest Practicable Date (both dates inclusive)	N.A.	N.A.	N.A.	N.A.
Latest Practicable Date	N.A.	N.A.	N.A.	N.A.

Source: Bloomberg L.P.

Notes:

(1) The VWAP is weighted based on the volume of Shares traded and transacted prices of the Shares for the Market Days in the respective periods.

(2) Based on the Offer Price of $0.0305 per Offer Share.

(3) Including the Last Traded Day.

(4) The trading of Shares has been suspended since 3 April 2019.

The key observations in respect of the above analysis are highlighted below:

(a) Over the 12-month period prior to and up to the Last Traded Day, the Shares have closed between a low of S$0.003 and a high of S$0.060;

(b) The Offer Price represents a premium of 79.41%, 408.33%, 408.33% and 510.00% to the VWAP for the 12-month, 6-month, 3-month and 1-month periods prior to and up to the Last Traded Day respectively;

(c) The Offer Price represents a premium of 916.67% to the Last Transacted Price; and

(d) There has been no trading of Shares subsequent to the suspension of the trading of Shares since 3 April 2019.

For illustration purposes only, we set out in the table below the average daily trading volume of the Shares and the average daily trading volume as a percentage of its Free Float (as defined in the footnote below) for selected reference periods between 12-month period prior and up to the Last Traded Day:

	Average daily trading volume ("ADTV")(1) (Shares)	ADTV as a percentage of Free Float(2) (%)
Periods prior to the Last Traded Day(3)		
Last 12 months	7,486	0.01
Last 6 months	10,573	0.02
Last 3 months	21,035	0.03
Last 1 month	36,582	0.06
Last Traded Day	554,700	0.88
Periods after the Offer Announcement Date		
Market Day immediately after the Offer Announcement Date	N.A.	N.A.
Between the Market Day immediately after the Offer Announcement Date and the Latest Practicable Date (both dates inclusive)	N.A.	N.A.
Latest Practicable Date	N.A.	N.A.

Source: Bloomberg L.P.

Notes:

(1) The ADTV is computed based on the total volume of Shares traded over all the Market Days for the relevant periods, divided by the total number of Market Days (including Market Days when no Shares were traded) during the relevant periods.

(2) Calculated based on a free float of approximately 63,179,083 Shares ("**Free Float**"), as extracted from Bloomberg L.P. as at the Latest Practicable Date.

(3) Including the Last Traded Day.

The key observations in respect of the above analysis are highlighted below:

(a) The average daily traded volume of the Shares for the 12-month, 6-month, 3-month and 1-month periods prior to the Last Traded Day represents approximately 0.01%, 0.02%, 0.03% and 0.06% of the Free Float respectively;

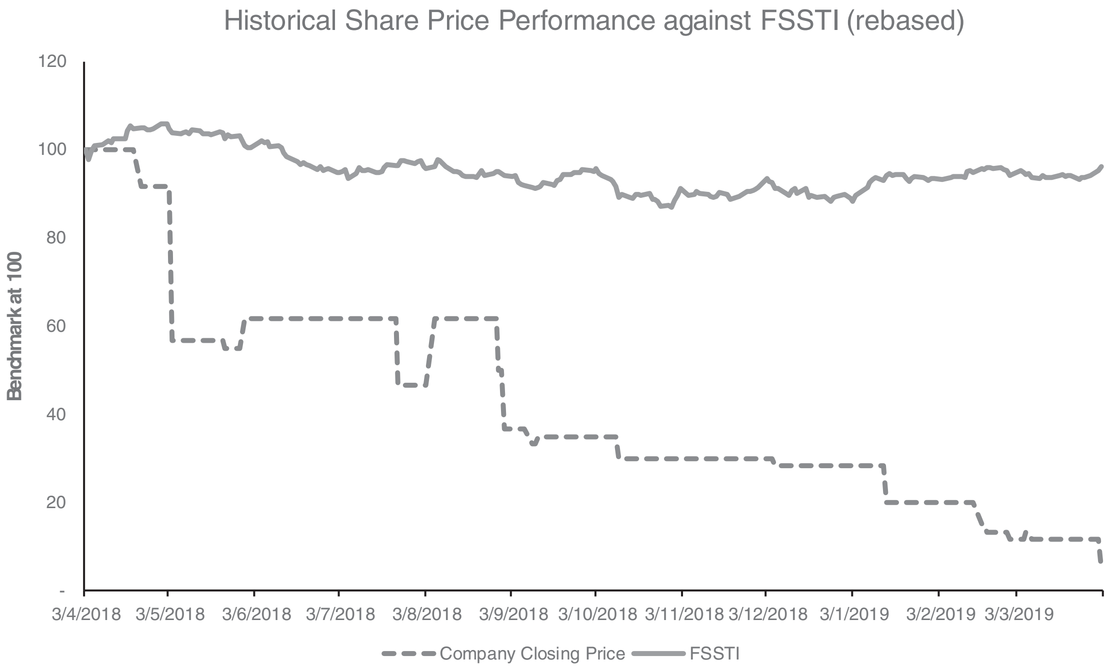
(b) The average daily traded volume of the Shares on the Last Traded Day represents 0.88% of the Free Float; and

(c) There has not been any trading of Shares subsequent to 2 April 2019 as the trading of Shares has been suspended since 3 April 2019.

We wish to highlight that the above analysis of the trading performance of the Shares serves only as an illustrative guide and is not an indication of the future trading performance of the Shares, which has been suspended since 3 April 2019 and is expected to be delisted after the completion of the Exit Offer.

10.2 Historical share price performance relative to the FSSTI

To assess the market price performance of the Shares vis-à-vis the general price performance of the Singapore equity market, we have compared the market movement of the Shares price against the FSSTI for the period between 12-months prior to the Last Traded Day, as illustrated below:



Source: Bloomberg L.P.

We note that during the period between 12-months prior to and up to the Last Traded Day, the Shares had generally underperformed the FSSTI on a normalised basis. Additionally, the Company's announcement on 28 February 2019 on its receipt of Delisting Notification from the SGX-ST may have adversely affected the Shares' performance.

10.3 NTA-based valuation of the Group

The net tangible asset ("**NTA**") based valuation provides an estimate of the value of a company assuming the hypothetical sale of all its tangible assets over a reasonable period of time. NTA is calculated by deducting the intangible assets from the Group's net asset value.

NTA shows the extent to which the value of the Group is backed by tangible assets. However, it does not take into account the value of any intangible assets such as goodwill, trademarks and land use rights. NTA based valuation is meaningful only in so far as to show the extent to which the value of each Share is backed by tangible assets.

10.3.1 NTL position of the Group as at 31 December 2018

On 1 March 2019, the Company announced its unaudited full year financial statements ("**Unaudited FY2018 Financials**") for financial year ended 31 December 2018 ("**FY2018**"). Subsequent to the termination of the proposed disposal of the entire issued and paid-up share capital of Huaxiang China Gaoxian International Holdings Limited ("**Proposed Huaxiang Disposal**"), the Company announced on 31 May 2019 the material differences between adjusted unaudited full year financial statements for FY2018 ("**Adjusted Unaudited FY2018 Financials**") and the Unaudited FY2018 Financials. The differences were due to interim adjustments made to reflect the impact of the termination of the Proposed Huaxiang Disposal.

We note that the Company announced its unaudited financial results for the quarterly financial period ended 31 March 2019 on 15 May 2019 without adjusting for the financial effects of the termination of the Proposed Huaxiang Disposal. We further note that the Company has not announced any quarterly financial results for the 3-month financial periods ended 30 June 2019 and 30 September 2019 respectively. As such, we have relied on the Adjusted Unaudited FY2018 Financials in our analysis.

Based on the Adjusted Unaudited FY2018 Financials, the Group was at a Net Tangible Liabilities ("**NTL**") position of approximately RMB605.90 million, equivalent to approximately RMB5.327 per Share or S$1.030 per Share (based on the exchange rate of S$1:RMB5.1716 as at the Latest Practicable Date).

The Offer Price of S$0.0305 per Share represents a premium to the NTL per Share.

In our evaluation of the financial terms of the Offer, we have considered whether there are any factors which have not been otherwise disclosed in the financial statements of the Group that are likely to have a material impact on the NTL position of the Group as at 31 December 2018, as represented by the Adjusted Unaudited FY2018 Financials.

In this respect, save as disclosed in the Adjusted Unaudited FY2018 Financials, the Directors have confirmed that, to their best knowledge and belief, as at the Latest Practicable Date, there are no additional material contingent liabilities which are likely to have a material impact on the NTL position of the Group.

We have also reviewed the Adjusted Unaudited FY2018 Financials for the financial position of the Group as at 31 December 2018 to determine whether there are any assets that are of an intangible nature and as such, would not appear in a valuation based on NTA per Share as at 31 December 2018.

The Directors have confirmed that, to their best knowledge and belief, as at the Latest Practicable Date, there are no additional material intangible assets which ought to be disclosed in the statement of financial position of the Group in accordance with the Singapore Financial Reporting Standards and which have not been so disclosed and where such intangible assets would have had a material impact on the overall financial position of the Group.

10.3.2 Revalued NTL position of the Group as at 31 December 2018

In our evaluation of the financial terms of the Exit Offer, we have also considered whether there are any tangible assets which should be valued at an amount that is materially different from the value as recorded in the statement of financial position of the Adjusted Unaudited FY2018 Financials of Group as at 31 December 2018.

In connection with the Exit Offer, the Company has appointed the Independent Valuer, JLL, to conduct an independent valuation of the Fixed Assets.

The valuations are prepared based on the "Market Value" and "Market Value In Continued Use" of the properties and the Assets respectively.

"Market Value" is defined herein as the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein parties had acted knowledgeably, prudently and without compulsion.

"Market Value In Continued Use" is further defined as amount of money at which a given property would change hands between a willing buyer and a willing seller, in an appropriate marketplace, when neither is acting under compulsion and when both have reasonable knowledge of relevant facts, including installation and other turnkey costs and assumes that earnings support the value reported.

Market Value In Continued Use does not represent the amount that might be realised in the event of piecemeal disposition of the assets in the open market or from any alternative use to which they may be put.

For illustrative purposes only, as set out in the Valuation Reports, the market values of the Fixed Assets are as follows:

(RMB' million)	Market Value(1)
Fixed Assets	1,311.4
Less: Book Value as at 31 December 2018	1,272.3
Revaluation Surplus	**39.1**

Note:

(1) The revaluation surplus is calculated as the difference between the market values of the Fixed Assets in their existing state and their corresponding book values as at the Valuation Date.

Shareholders should read the above in conjunction with the Valuation Report set out in Appendix H to the Offeree Document.

In addition to the valuation of the Fixed Assets above, the Group has received a Letter of Intent from the People's Government of Huzhou City indicating their intention to acquire the Group's investment property which comprises a construction work-in-progress of a 26 storey commercial and office building with 2 basement floors, with a total floor area of 51,858 square metres (excluding common area) ("**Investment Property**") at a rate of RMB4,200 per square metre, with an expected purchase price of RMB217.8 million. The book value of the Investment Property as at 31 December 2018 is RMB171.1 million. The surplus arising from the Investment Property is estimated to be RMB46.7 million ("**Adjusted Surplus**"). The Directors have confirmed that the Letter of Intent remains valid as at the Latest Practicable Date.

Save as above, the other assets of the Group have not been revalued for the purpose of determining the Revalued NTL (as defined below) of the Group.

The Directors have confirmed that to the best of their knowledge and belief, save as set out above, as at the Latest Practicable Date, on aggregate basis, there are no material differences between the estimated market value of the assets and their respective book values as at 31 December 2018 which would have a material impact on the Revalued NTL (as defined below) of the Group.

The NTL of the Group as at 31 December 2018 is approximately RMB605.9 million or S$117.2 million:

	NTL (RMB)	NTL(1) (S$)
NTL of the Group as at 31 December 2018	605.9 million	117.2 million
Add: Revaluation Surplus net of potential tax liabilities(2)	24.8 million	4.8 million
Add: Adjusted Surplus	46.7 million	9.0 million
Revalued NTL of the Group	534.4 million	103.3 million

	NTL (RMB)	NTL[1] (S$)
Revalued NTL per Share	4.70	0.90

Notes:

(1) Based on the exchange rate of S$1:RMB5.1716 as at the Latest Practicable Date.

(2) Excludes the revaluation surplus and potential tax liabilities relating to land use rights.

We note that the Offer Price of S$0.0305 represents a premium to the Revalued NTL per Share of S$0.90.

We wish to highlight that the Revalued NTL shown above include the revaluation surplus on the Fixed Assets. Shareholders should note that the Group has not fully earned or realized the revaluation surplus on such Fixed Assets as at the Latest Practicable Date, and that there is no assurance that any revaluation surplus eventually recorded by the Group on the Fixed Assets will be the same as indicated above.

Shareholders should note that the above analysis assumes the hypothetical sale of the Fixed Assets of the Group as at the Latest Practicable Date. The Directors have confirmed that as at the Latest Practicable Date, the Group does not have any plans for any impending material disposal and/or conversion of the use of the Group's Fixed Assets and the Group has not received any offers for the Fixed Assets at the market values set out in the table above.

10.4 Comparison with financial ratios of Selected Comparable Companies

For the purpose of assessing the Offer Price, references can be made to companies which are listed and traded on the regional stock exchanges, whose business activities and industries are comparable to the Group ("**Selected Comparable Companies**") to give an indication of the current market expectations with regards to the valuation of these businesses, implied by their respective closing market prices as at the Latest Practicable Date.

The Selected Comparable Companies have been identified through searches on paid financial database and other public sources. Relevant information has been extracted from the annual reports and/or public announcements of the Selected Comparable Companies. We have had discussions with the Directors and Management about the suitability of the Selected Comparable Companies serving as a basis for comparison with the core businesses of the Group and have obtained confirmations from the Directors and Management on the appropriateness of the Selected Comparable Companies.

We recognise, however, that our list of Selected Comparable Companies is not exhaustive and there may not be any companies listed on the SGX-ST or other regional stock exchanges that are directly comparable to the Group in terms of business activities, scale of operations, types of products and services, geographical markets, track records, future prospects, asset base, risk profile, customer base and other relevant criteria. As such, any comparison made with respect to the Selected Comparable Companies is therefore intended to serve as an illustrative guide only.

We wish to highlight that the figures used in our financial assessment have been extracted where available and/or applicable, from Bloomberg L.P., the Offer Document, the Offeree Document and other publicly available sources. We make no representations or warranties, express or implied, as to the accuracy or completeness of such information.

For the purpose of our evaluation and for illustration, we have made comparisons between the Offer Price and the valuation of the Selected Comparable Companies on a historical basis using the following financial ratios:

Financial Ratio	General Description
Price-to-Earnings ("**P/E**") ratio	P/E ratio illustrates the ratio of the market price of a company's shares relative to its consolidated after-tax earnings per share attributable to the owners of the company as stated in its financial statements. The P/E ratio is affected by, *inter alia*, the capital structure of a company, its tax position as well as its accounting policies relating to depreciation and amortisation of assets. In our analysis, we used the market price of the shares as of the Latest Practicable Date, divided by the aggregate of the most recent announced four quarters earnings per share.
Price-to-Net Asset Value ("**P/NAV**") ratio	P/NAV ratio illustrates the ratio of the market price of a company's share relative to its historical NAV per share as recorded in its financial statements. "NAV" or "net asset value" is defined as the total assets less total liabilities and excludes where applicable non-controlling interest. The NAV figure provides an estimate of the value of a company assuming the sale of its assets, the proceeds which are first used to settle its liabilities and obligations with the balance available for distributions to its shareholders. Comparisons of companies using their NAVs are affected by differences in their respective accounting policies, in particular, their depreciation, amortisation and asset valuation policies. In our analysis, we used the market price of the shares as of the Latest Practicable Date, divided by the most recently announced NAV per share.

Financial Ratio	General Description
Price-to-Net Tangible Asset ("**P/NTA**") ratio	P/NTA ratio illustrates the ratio of the market price of a company's share relative to its historical NTA per share as recorded in its financial statements. "NTA" or "net tangible asset" is defined as total tangible assets (excluding intangible assets) less total liabilities and excludes, where applicable, non-controlling interest. The NTA figure provides an estimate of the value of a company assuming the sale of all its tangible assets, the proceeds which are first used to settle its liabilities and obligations with the balance available for distribution to its shareholders. Comparisons of companies using their NTAs are affected by differences in their respective accounting policies, in particular, their depreciation, amortisation and asset valuation policies. In our analysis, we used the market price of the shares as of the Latest Practicable Date, divided by the most recently announced NTA per share.
Enterprise Value-to-Earnings Before Interest and Tax ("**EV/EBIT**")	"EV" or "Enterprise Value" is the sum of a company's market capitalisation, preferred equity, independent interests, consolidated short and long term debts, inclusive of finance lease liabilities, less its consolidated cash and cash equivalents. "EBIT" stands for historical consolidated earnings before interest and tax, inclusive of share of associates' and joint ventures' income. The EV/EBIT ratio illustrates the ratio of the enterprise value of a company's business relative to its historical pre-tax consolidated operating cashflow performance, without regard to its capital structure. In our analysis, we used the enterprise value as of the Latest Practicable Date divided by the most recent announced four quarters EBIT.

The financial ratios for the Selected Comparable Companies are based on their closing prices as at the Latest Practicable Date and the publicly available financial results based on their respective financial periods or financial year ends.

Comparisons between the Company and the Selected Comparable Companies may be affected, *inter alia*, by differences in their accounting policies. Our analysis has not attempted to adjust for such differences. In view of this, it should be noted that any comparison made with respect to the Selected Comparable Companies merely serves as an illustration and that the conclusions drawn from the comparisons may not necessarily reflect the perceived market valuation of the Company as at the Latest Practicable Date.

We set out in the table below the list of Selected Comparable Companies, together with a brief description of their principal activities which are considered to be broadly comparable to the Group.

Selected Comparable Companies	Listing Location	Brief Business Description
Tongkun Group Co., Ltd. ("**Tongkun**")	PRC	Tongkun manufactures textile materials. The Company produces polyester yarns, terylene filaments, synthetic filaments, and other products. Tongkun also produces chemicals, textile equipment, and other products.
Xinfengming Group Co.,Ltd. ("**Xinfengming**")	PRC	Xinfengming manufactures and distributes textile materials. The Company produces polyester filament, slice spinning, and polyester yarns. Xinfengming operates worldwide.
Bros Eastern Co., Ltd. ("**Bros Eastern**")	PRC	Bros Eastern manufactures textile products. The Company researches, develops, produces, and sells melange yarn including color cotton yarn and blended color yarn. Bros Eastern markets its products domestically and overseas.
Everest Textile Co., Ltd. ("**Everest Textile**")	Taiwan	Everest Textile manufactures and markets a variety of polyester fabrics and yarns, filament and staple textiles. The company is the functional fabric provider of the global sports and leisure wear brands including Nike, Adidas, Puma, Patagonia, Spyder, The North Face, Columbia, etc.
Lan Fa Textile Co., Ltd. ("**Lan Fa**")	Taiwan	Lan Fa manufactures and markets polyester yarns and fabrics.
China Weaving Materials Holdings Ltd. ("**China Weaving**")	Hong Kong	China Weaving manufactures polyester yarns, polyester-cotton blended yarns, and cotton yarns. The Company produces fine-and medium-count yarns to its customers' specifications.

We set out in the table below the financial ratios of the Company and the Selected Comparable Companies listed on other stock exchanges as at the Latest Practicable Date:

Company Name	Market Capitalisation[(1)] (S$'million)	P/E[(2)]	P/NAV	P/NTA	EV/EBIT[(3)]
Tongkun	4,560.3	12.0	1.3	1.4	7.2
Xinfengming	2,674.8	14.3	1.5	1.6	14.5
Bros Eastern	1,128.5	16.1	0.7	0.8	18.4
Everest Textile	213.1	n.m.[(4)]	0.9	0.9	44.8
Lan Fa	109.2	15.8	0.8	0.8	22.6
China Weaving	87.1	6.4	0.7	0.7	7.0
High		16.1	1.5	1.6	44.8
Median		14.3	0.9	0.9	16.4
Mean		12.9	1.0	1.0	19.1
Low		6.4	0.7	0.7	7.0
Company (As implied by the Offer Price)	3.5	n.m.[(5)]	n.m.[(6)]	n.m.[(7)]	n.m.[(8)]

Source: Bloomberg L.P. and published financial statements and/or annual reports of the respective Selected Comparable Companies

Notes:

(1) Based on the exchange rate of S$1:RMB5.1716, S$1:TWD22.3964 and S$1:HKD5.7504 as at the Latest Practicable Date.

(2) P/E ratio is calculated based on the latest available interim financial statements on a last twelve months ("**LTM**") basis of the Selected Comparable Companies.

(3) EV/EBIT ratio is calculated based on the latest available interim financial statements on a LTM basis of the Selected Comparable Companies.

(4) Everest Textile recorded a loss after tax of approximately TWD49 million on the LTM basis. Hence, the P/E ratio for Everest Textile is not meaningful.

(5) The Group recorded a loss after tax of approximately RMB166.6 million for FY2018. Hence, the Group's P/E ratio is not meaningful.

(6) The Group has a net liability value position of approximately RMB596.4 million as at 31 December 2018. Hence its P/NAV ratio is not meaningful.

(7) The Group has a NTL position of approximately RMB605.9 million as at 31 December 2018. Hence its P/NTA ratio is not meaningful.

(8) The Group recorded a loss before interest and tax of approximately RMB97.7 million for FY2018. Hence, the Group's EV/EBIT ratio is not meaningful.

Based on the above financial ratios analysis, we noted that:

(a) The P/E ratio of the Group is negative and not meaningful as the Group incurred a loss after tax of approximately RMB166.6 million for FY2018. The Selected Comparable Companies were traded at P/E ratios of between 6.4 times and 16.1 times;

(b) The P/NAV ratio of the Group, as implied by the Offer Price, is negative and not meaningful as the Group has a net liability position of RMB596.4 million as at 31 December 2018. The Selected Comparable Companies were traded at P/NAV ratios of between 0.7 times and 1.5 times;

(c) The P/NTA ratio of the Group, as implied by the Offer Price, is negative and not meaningful as the Group has a net tangible liability position of RMB605.9 million as at 31 December 2018. The Selected Comparable Companies were traded at P/NTA ratios of between 0.7 times and 1.6 times; and

(d) The EV/EBIT ratio of the Group, as implied by the Offer Price, is negative and not meaningful as the Group has a loss before interest and tax of RMB97.7 million for FY2018. The Selected Comparable Companies were traded at EV/EBIT ratios of between 7.0 times and 44.8 times.

10.5 Comparison with Selected Directed Delistings

In assessing the reasonableness of the Offer Price, we have compared the financial terms of the Exit Offer with those of selected directed delisting offers of companies listed on the SGX-ST which were announced from between 2014 and 2017 and had made available a cash exit offer to its shareholders (the "**Selected Directed Delistings**"). We note that there were no directed delistings with cash exit offer between 2018 and 2019.

To serve as a comparison, for each of the Selected Directed Delistings, we have analysed the offer price premium/(discount) to the company's relevant trading prices prior to its delisting announcement. This analysis serves as a general indication of the relevant premium/(discount) that the offerors had paid in the exit offer in connection with directed delistings.

In making the comparison herein, we wish to highlight that the companies relating to the Selected Directed Delistings may not be directly comparable to the Group in terms of, *inter alia*, business activities, scale of operations, types of products, geographical markets, track record, future prospects, asset base, risk profile, customer base and other relevant criteria. Additionally, the Selected Directed Delistings may not be directly comparable to the Exit Offer, in terms of, *inter alia,* the specific circumstances of each exit offer, the attractiveness of the underlying business to the offerors and the prevailing market conditions. Each exit offer must be assessed on its own commercial and financial merits.

We also wish to highlight that the list of Selected Directed Delistings is by no means exhaustive and has been compiled based on publicly available information as at the Latest Practicable Date. In view of the above, it should be noted that the comparison made herein is necessarily limited and serves only as an illustrative guide.

Companies	Date of announcement	Premium/ (Discount) implied by offer price over last transacted price prior to announcement (%)	Premium/ (Discount) implied by offer price over VWAP for the 1-month period prior to announcement (%)	Premium/ (Discount) implied by offer price over VWAP for the 3-month period prior to announcement (%)	P/NTA (times)
GEMS TV Holdings Limited	8-Apr-14	34.6	(6.0)	(56.0)	1.0
China Powerplus Limited	9-May-14	16.7	25.0	12.9	0.4
Yong Xin International Holdings Ltd	30-Apr-15	(27.3)	(33.3)	(38.5)	0.2
Texchem-Pack Holdings (S) Ltd	5- Aug-15	16.7	20.4	22.5	0.7
Pacific Healthcare Holdings Ltd	26-Apr-16	(85.7)	(91.7)	(91.7)	N.M.
China Hongcheng Holdings Ltd	15-Jul-16	(32.5)	35.0	(61.4)	N.M.
Europtronic Group Ltd	7-Nov-17	(95.0)	(98.2)	(98.7)	N.M.
High		34.6	35.0	22.5	1.0
Mean		(24.6)	(21.3)	(44.4)	0.6
Median		(27.3)	(6.0)	(56.0)	0.6
Low		(95.0)	(98.2)	(98.7)	0.2
Company (As implied by the Offer Price)		**916.7**	**510.0**	**408.3**	**N.M.**

Source: SGX-ST announcements and circulars to shareholders in relation to the respective transactions.

The key observations in respect of the above are highlighted below:

(a) The premium of 916.7% as implied by the Offer Price to the Last Transacted Price is above the range of the Selected Directed Delistings;

(b) The premium of 510.0% as implied by the Offer Price over the 1-month VWAP prior to the Exit Offer Announcement Date is above the range of the Selected Directed Delistings; and

(c) The premium of 408.3% as implied by the Offer Price over the 3-month VWAP prior to the Exit Offer Announcement is above the range of the Selected Directed Delistings.

10.6 Dividend Track Record of the Company

We noted that the Company had not declared and/or paid any dividend since the financial year ended 31 December 2011.

We wish to highlight that the above is not an indication of the Company's future dividend policy, and there is no assurance that the Company will or will not pay dividends in future and/or maintain the level of dividends paid in past periods.

10.7 Other relevant factors for consideration

10.7.1 Company's commentary on market outlook

We note that in the Company's unaudited results announcement made on 15 May 2019 for the quarterly financial period ended 31 March 2019 (the "**1Q2019 Results Announcement**"), the following commentary was made on the market outlook:

"Market Outlook

From a macro perspective, the Company believes that the market conditions in the PRC remain challenging for the next twelve months in view of the looming trade disputes between the PRC and the United States of America and the impending global tightening monetary policy. The Company expects that the PRC's economy will remain sluggish in the foreseeable future."

10.7.2 Termination of the sale and purchase agreement in relation to the Proposed Huaxiang Disposal (the "SPA") is expected to have a material impact on the Group's consolidated financial statements for FY2018 and for the current year ending 31 December 2019

As mentioned in the Company's 1Q2019 Results Announcement, the termination of the SPA is expected to have a material impact on the Group's consolidated financial statements for the FY2018 and for the current year ending 31 December 2019. In particular, the announcement indicated that net loss attributable to shareholders has increased from RMB73.4 million to RMB166.6 million due to the financial impact of the termination of the SPA.

Additionally, we note the loss-making and net liability position of the Group from the 1Q2019 Results Announcement. As the Company is currently in the process of determining the impact of the termination of the SPA has on the Group's consolidated financial statements, the financials presented in the 1Q2019 Results announcement might be subject to further changes. The Company has highlighted this limitation relating to the preparation of the 1Q2019 Results in Section 5 of its 1Q2019 Results Announcement.

10.7.3 Bulk of the Group's accounting books and records for the period prior to 1 April 2011 could not be located and Independent Auditors' opinion between FY2014 and FY2017

We note that 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 appointed then 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 slim. 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. In view of the above, the Company is unable to ascertain the impact, if any, on the 1Q2019 financial results and there is no assurance that there are no material facts not known to the current management that may require the 1Q2019 financial results to be further adjusted.

We note that, as at Latest Practicable Date, the Company has not released its FY2018 Annual Report. However, we also note that the Independent Auditor's opinion in the Company's Independent Auditor's Report for FY2017 and FY2016 were not modified, although the Independent Auditors highlighted material uncertainty relating to going concern in view of the losses for the respective financial years, and deficiencies in net current assets and assets as at the respective end of financial periods. For FY2014 and FY2015, the Independent Auditors issued unqualified opinions with emphasis of matter in relation to going concern issue.

10.7.4 Offeror's intention for the Company

As highlighted in paragraph 7 of this IFA Letter, we note that the Offeror has no current intention of (a) making material changes to the existing business, (b) re-deploying the fixed assets, or (c) discontinuing the employment of the employees of the Group, other than in the ordinary course of business.

10.7.5 Uncertainty in relation to the Project Huagang

On 27 July 2018, the Company announced that the Company's wholly owned subsidiary, Zhejiang Huagang Polyester Industrial Co., Ltd. plans to upgrade its existing production facilities and ancillary machinery and equipment for the production and sales of new Fully Drawn Yarn ("**FDY**") products and new Partially Oriented Yarn ("**POY**") products, which include Fire-Retardant POY, Nylon Filament POY, Black Yarn FDY, High shrinkage FDY and Regenerated FDY (the "**Project Huagang**") in response to the increased demand in the People's Republic of China and technology readiness for the production of new FDY and POY products.

On 21 August 2018, the Company announced that it had entered into a sale and purchase agreement with Kingwealth International Investments Limited ("**Kingwealth**") in relation to the Proposed Huaxiang Disposal wherein Kingwealth agreed to acquire all of the issued and paid-up shares in the capital of Huaxiang China Gaoxian International Holdings Limited together with its subsidiaries. The Proposed Huaxiang Disposal involved, *inter alia*, a cash consideration as well as loan novation.

On 8 May 2019, the Company announced that the Proposed Huaxiang Disposal has been terminated due to the none-fulfillment of conditions precedent by the long-stop date and that no further extension of time was agreed by the parties.

In view of the termination of the Proposed Huaxiang Disposal, the loss-making and net liabilities position of the Company, and the going concern issue highlighted by the Independent Auditors in the Independent Auditors' Reports between FY2014 and FY2017, it is uncertain as to whether the Company intents to or has the resources to proceed with the Project Huagang or would remain as a going concern.

10.7.6 Absence of alternative offers

As at the Latest Practicable Date, there is no publicly available evidence of an alternative offers for the Shares from any third party. In addition, the Directors have confirmed that, as at the Latest Practicable Date, save for the Exit Offer made by the Offeror, no alternative offer from any third party has been received. The Directors also confirmed that save for the Exit Offer, there is no other alternative option that is pending discussion or in discussion.

10.7.7 Listing status

As at the Latest Practicable Date, Fleur Growth Fund Limited ("**Fleur Growth Fund**") which holds a direct interest in 29,996,214 Shares, representing approximately 26.37% of the total number of issued Shares, has executed an irrevocable undertaking in favour of the Offeror not to accept the Exit Offer. In view of the said undertaking, the rights under Sections 215(1) and 215(3) of the Companies Act would not arise and as noted in paragraph 8 of this IFA Letter, the Offeror will not be able to exercise any rights to compulsorily acquire any Offer Share. Similarly, Shareholders will not be able to exercise any rights to require the Offeror to acquire their Offer Shares.

Given the above and taking into consideration implications of the Delisting Notification where the Company will be delisting from the Official List of the SGX-ST upon the completion of the Exit Offer regardless of the acceptance level of the Exit Offer, Shareholders who do not accept the Exit Offer will be holding shares in an unlisted public the Exit Offer. The implication of this has been noted in paragraph 9 of this IFA Letter and explained in Section 9 of the Offer Document.

11. RECOMMENDATION

In arriving at our recommendation in relation to the Exit Offer, we have taken into account the factors which we consider to have a significant bearing on our assessment as outlined in our analyses set out under paragraphs 10.1 to 10.7.

In evaluating and assessing the financial terms of the Exit Offer, we have given due consideration to the following:

(a) An assessment of the historical market price and trading activities of the Shares

   (i) The closing price of the Shares were higher than the Offer Price for 92 Market Days out of 251 Market Days over the last 12-month period prior to the Last Traded Day;

   (ii) The Offer Price represents a premium of 79.41%, 408.33%, 408.33% and 510.00% to the VWAP for the 12-month, 6-month, 3-month and 1-month periods prior to the Last Traded Day respectively;

   (iii) The Offer Price represents a premium of 916.67% to the Last Transacted Price; and

   (iv) There has been no trading of Shares subsequent to the suspension of the trading of Shares since 3 April 2019.

(b) An assessment of the historical Share price performance relative to the FSSTI showed that for the 12-month period prior to the Last Traded Day, the Shares had generally underperformed the FSSTI on a normalised basis.

(c) An assessment of the NTL and Revalued NTL of the Group as follow:

   (i) The Offer Price is at a premium to the adjusted unaudited NTL of the Group; and

   (ii) The Offer Price is also at a premium to the unaudited Revalued NTL of the Group.

(d) A comparison with the valuation ratios of the Selected Comparable Companies as follows:

   (i) The P/E ratio of the Group is negative and not meaningful as the Group incurred a loss after tax of approximately RMB166.6 million for the financial year ended 31 December 2018, whilst the Comparable Companies were traded at PER of between 6.4 times and 16.1 times;

   (ii) The P/NAV ratio of the Group, implied by the Offer Price, is negative and not meaningful as the Group has a net liability position of RMB596.4 million as at 31 December 2018. The Selected Comparable Companies were traded P/NTA ratios of between 0.7 times and 1.5 times;

(iii) The P/NTA ratio of the Group, as implied by the Offer Price, is negative and not meaningful as the Group has a net tangible liability position of RMB605.9 million as at 31 December 2018. The Selected Comparable Companies were traded at P/NTA ratios of between 0.7 times and 1.6 times; and

(iv) The EV/EBIT ratio of the Group, as implied by the Offer Price, is negative and not meaningful as the Group has a loss before earnings, interest and tax of RMB97.7 million for the financial year ended 31 December 2018. The Selected Comparable Companies were traded at EV/EBIT ratios of between 7.0 times and 44.8 times.

(e) A comparison with the Selected Directed Delistings as follows:

(i) The premium of 916.7% implied by the Offer Price to the Last Transacted Price is above the range of the Selected Directed Delisting;

(ii) The premium of 510.0% implied by the Offer Price over the 1-month VWAP prior to the Exit Offer Announcement Date is above the range of the Selected Directed Delistings; and

(iii) The premium of 408.3% implied by the Offer Price over the 3-month VWAP prior to the Exit Offer Announcement is above the range of the Selected Directed Delistings.

(f) Other relevant factors for consideration as set out in Section 10.7 above.

Having considered the above and subject to the assumptions and qualifications set out in this IFA Letter, we are of the opinion that on balance, the financial terms of the Exit Offer are FAIR AND REASONABLE. Accordingly, we advise the Independent Directors to recommend that the Shareholders ACCEPT the Exit Offer.

We are of the opinion that the Exit Offer is **FAIR** taking into consideration (i) the premia of the Offer Price over the VWAP of the Shares over the 12-month, 6-month, 3-month and 1-month periods prior to the Last Traded Day as well as its premium over the Last Traded Price, (ii) the premia of the Offer Price over the NTL and Revalued NTL per Share of the Group, (iii) the comparison of the various financial ratios implied by the Offer Price against the respective financial ratios implied by the share prices of Selected Comparable Companies, and (iv) the comparison of the premia of the Offer Price over VWAP of the Shares over 3-month, 1-month and the Last Traded Price against respective premia observed for Selected Directed Delistings.

We are of the opinion that the Exit Offer is **REASONABLE** taking into consideration factors as outlined in paragraph 10.7 of this IFA Letter.

The Independent Directors should note that transactions of the Shares are subject to possible market fluctuations and, accordingly, our opinion and advice on the Exit Offer does not and cannot take into account the future transactions or price levels that may be established for the Shares since these are governed by factors beyond the ambit of our review.

This IFA Letter is addressed to the Independent Directors for their benefit, in connection with and for the purposes of their consideration of the financial terms of the Exit Offer. The recommendations made by them to the Shareholders in relation to the Exit Offer shall remain the sole responsibility of the Independent Directors.

Whilst a copy of this IFA Letter may be reproduced in the Offeree Document, neither the Company, the Directors nor any other persons may reproduce, disseminate or quote this IFA Letter (or any part thereof) for any other purpose or in any manner without the prior written consent of CICF in each specific case, other than for the purpose of the Exit Offer.

This IFA Letter is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully
For and on behalf of
CEL Impetus Corporate Finance Pte. Ltd.

Ng Boon Eng
Chief Executive Officer

Foo Jien Jieng
Director, Corporate Finance

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APPENDIX B – INFORMATION ON THE COMPANY

1. DIRECTORS OF THE COMPANY

The names, addresses and designations of the Directors as at the Latest Practicable Date are set out below:

Name	Address	Designation
Xie Ruliang	c/o 80 Robinson Road #02-00, Singapore 068898	Non-Executive and Non-Independent Chairman
Lin Xingdi	c/o 80 Robinson Road #02-00, Singapore 068898	Executive Director and Chief Executive Officer
Tham Wan Loong, Jerome	c/o 80 Robinson Road #02-00, Singapore 068898	Executive Director
Sze Man Kam	c/o 80 Robinson Road #02-00, Singapore 068898	Independent Director
Low Chin Parn Eric	c/o 80 Robinson Road #02-00, Singapore 068898	Independent Director
Teo Boon Hai	c/o 80 Robinson Road #02-00, Singapore 068898	Independent Director

2. REGISTERED OFFICE OF THE COMPANY

The registered office of the Company is at 80 Robinson Road, #02-00, Singapore 068898.

3. LEGAL STATUS AND PRINCIPAL ACTIVITIES OF THE COMPANY

The Company was incorporated in Singapore on 9 September 2008 and was listed on the Mainboard of the SGX-ST on 18 September 2009. The principal activity of the Company is that of investment holding. The principal activity of its subsidiaries is the manufacture of premium differentiated fine polyester yarn and fabric in the People's Republic of China.

4. SHARE CAPITAL OF THE COMPANY

4.1 Number and Class of Shares

The Company has only one class of shares, being the Shares. The Shares are quoted and listed on the Mainboard of SGX-ST.

As at the Latest Practicable Date, the total issued and paid-up share capital of the Company is S$449,593,516 comprising 113,750,147 Shares. The Company does not hold any Shares in treasury.

4.2 Rights of Shareholders in respect of capital, dividends and voting

The rights of Shareholders in respect of capital, dividends and voting are contained in the Constitution. Extracts of the relevant provisions in the Constitution relating to the rights of Shareholders in respect of capital, dividends and voting are set out in **Appendix G** of this Circular. The Constitution is available for inspection at office of the Company's share registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road #11-02 Singapore 068898. Capitalised terms and expressions not defined in these extracts have the meanings ascribed to them in the Constitution and/or the Companies Act.

4.3 Number of Shares issued since the end of the last financial year

No new Shares have been issued by the Company since 31 December 2018, being the end of the last financial year, up to the Latest Practicable Date.

4.4 Convertible Instruments

As at the Latest Practicable Date, there are no outstanding instruments convertible into, rights to subscribe for, and options in respect of, Shares or securities which carry voting rights affecting the Shares in the Company.

5. SUMMARY OF FINANCIAL INFORMATION

5.1 Consolidated Statement of Comprehensive Income

A summary of the audited consolidated statements of comprehensive income of the Group for the financial years ended 31 December 2016 and 31 December 2017 and the adjusted unaudited consolidated statements of comprehensive income of the Group for the financial year ended 31 December 2018 are set out below:

	Year ended 31 December 2016 RMB'000 Audited	**Year ended 31 December 2017 RMB'000** Audited	**Year ended 31 December 2018 RMB'000** Unaudited
Revenue	1,173,743	2,514,197	–
Cost of sales	(1,162,610)	(2,435,169)	–
Gross profit	11,132	79,028	–
Other operating income	12,122	19,054	491
Selling and distribution expenses	(3,262)	(2,897)	–
Administrative expenses	(255,359)	(90,525)	(13,377)
Other operating expenses	(1,341)	(1,685)	–
Finance expenses	(138,382)	(118,000)	3,396
Profit (Loss) before tax	(375,090)	(115,025)	(9,490)
Income tax	–	–	–
Profit (Loss) for the year	(375,090)	(115,025)	(9,490)
Profit (Loss) from discontinued operations, net of tax			(157,071)[(1)]
Other comprehensive income	–	–	–
Items that may be classified subsequently to profit or loss:			
Exchange differences on translation of foreign operations			

	Year ended 31 December 2016 RMB'000 Audited	Year ended 31 December 2017 RMB'000 Audited	Year ended 31 December 2018 RMB'000 Unaudited
Total comprehensive profit (loss) for the year attributable to the owners of the Company	(375,090)	(115,025)	(166,561)[1]
Profit (Loss) per share attributable to the shareholders of the Company (RMB)			
– Basic and diluted	(3.3)	(1.01)	(1.46)

Note:

(1) This is based on the adjusted unaudited full year financial statements of the Group for financial year ended 31 December 2018 as announced in the Company's announcement dated 23 May 2019, a copy of which is annexed hereto as **Appendix E-2** to this Circular.

A summary of the unaudited consolidated statements of comprehensive income of the Group for the first quarter ended 31 March 2019 are set out below.

	First quarter ended 31 March 2019 RMB'000 Unaudited
Revenue	–
Cost of sales	–
Gross profit	–
Other operating income	197
Selling and distribution expenses	–
Administrative expenses	(3,888)
Other operating expenses	–
Finance expenses	3,302
Profit (Loss) before tax	(389)
Income tax	–
Profit (Loss) for the period	(389)

	First quarter ended 31 March 2019 RMB'000 Unaudited
Other comprehensive income	
Items that may be classified subsequently to profit or loss:	
Exchange differences on translation of foreign operations	–
Total comprehensive profit (loss) for the period attributable to the owners of the Company	(389)
Profit (Loss) per share attributable to the shareholders of the Company (RMB)	
– Basic and diluted	(0.0034)

The above summary of financial information should be read together with the audited consolidated financial statements of the Group for the relevant years and the unaudited consolidated financial statements of the Group for the relevant periods, and related notes thereto, copies of which are available for inspection at the office of the Company's share registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road #11-02 Singapore 068898 during normal business hours for the period for which the Exit Offer remains open for acceptance.

The audited consolidated financial statements of the Group for the financial year ended 31 December 2017, and unaudited consolidated financial statements of the Group for the financial year ended 31 December 2018 and first quarter ended 31 March 2019 are set out in **Appendix D, Appendix E-1** and **Appendix F** to this Circular respectively.

Shareholders should note that as a result of the termination of the proposed disposal of the entire issued and paid-up share capital of Huaxiang China Gaoxian International Holdings Limited, as announced by the Company in its announcement of 8 May 2019, such termination is expected to have a material impact on the Group's consolidated financial statements for the financial year ended 31 December 2018 and for the current financial year ending 31 December 2019. Please refer to the information and notes as announced in the Company's announcement dated 15 May 2019, a copy of which is set out in Appendix F to this Circular.

5.2 Statement of Financial Position

A summary of the audited consolidated statement of financial position of the Group as at 31 December 2017 and the unaudited consolidated statement of financial position of the Group as at 31 December 2018 are set out below:

	As at 31 December 2017	As at 31 December 2018
	RMB'000	RMB'000
	Audited	Unaudited
ASSETS		
Non-Current Assets		
Property, plant and equipment	1,192,518	46,268
Investment property-Construction work-in-progress	159,045	–
Land use rights prepayments	144,854	9,240
Prepayments	123,635	–
	1,620,052	55,508
Current Assets		
Land use rights prepayments	3,646	271
Prepayments	4,554	–
Inventories	18,275	–
Trade and other receivables	225,818	229,713
Pledged deposits	17,767	–
Cash and bank balances	15,964	133
	286,024	230,117
Assets of disposal group classified as held for sale		2,547,129
Total Assets	1,906,076	2,832,754
EQUITY AND LIABILITIES		
Share Capital and Reserves		
Share capital	2,190,580	2,190,580
Merger reserve	(369,563)	(369,563)
Warrant reserve	13,840	13,840
Accumulated losses	(2,264,696)	(2,431,247)
Total equity	(429,839)	(596,390)
Non-Current Liabilities		
Borrowings	523,000	–
Obligations under finance leases	–	–

	As at 31 December 2017	As at 31 December 2018
	RMB'000	RMB'000
	Audited	Unaudited
Current Liabilities		
Borrowings	1,139,080	388,722
Obligations under finance leases	–	–
Trade and other payables	470,966	9,160
Other liabilities	202,869	16,713
Provision for income tax	–	–
	2,335,915	414,595
Liabilities directly associated with disposal group classified as held for sale	–	3,014,549
Total Liabilities	2,335,915	3,429,144
Total Equity and Liabilities	1,906,076	2,832,754

The above summary of financial information should be read together with the audited financial statements and unaudited financial statements of the Group for the relevant years and related notes thereto, copies of which are available for inspection at the office of the Company's share registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road #11-02 Singapore 068898 during normal business hours for the period for which the Exit Offer remains open for acceptance.

The audited consolidated financial statements of the Group for the financial year ended 31 December 2017 and the unaudited consolidated financial statements of the Group for the financial year ended 31 December 2018 are set out in **Appendix D** and **Appendix E-1** to this Circular respectively.

Shareholders should note that as a result of the termination of the proposed disposal of the entire issued and paid-up share capital of Huaxiang China Gaoxian International Holdings Limited, as announced by the Company in its announcement of 8 May 2019, such termination is expected to have a material impact on the Group's consolidated financial statements for the financial year ended 31 December 2018 and for the current financial year ending 31 December 2019. Please refer to the information and notes as announced in the Company's announcement dated 15 May 2019, a copy of which is set out in Appendix F to this Circular.

5.3 Significant Accounting Policies

A summary of the significant accounting policies of the Group is set out in Note 3.4 to the audited consolidated financial statements of the Group for the financial year ended 31 December 2017, which are set out in **Appendix D** to this Circular.

Save as disclosed in publicly available information on the Group (including to that contained in the audited consolidated financial statements of the Group for the financial year ended 31 December 2017 and unaudited consolidated financial statements of the Group for the financial year ended 31 December 2018), there are no significant accounting policies or any points from the notes to the financial statements which are of major relevance for the interpretation of the accounts.

5.4 Change in Accounting Policies

As at the Latest Practicable Date, there is no change in the accounting policies of the Group since 31 December 2017, being the date of the last published audited accounts of the Group, which will cause the figures as disclosed in this Circular not to be comparable to a material extent.

6. MATERIAL CHANGES IN FINANCIAL POSITION

Save as disclosed in publicly available information on the Company (including but not limited to announcements released by the Company in respect of its financial results or other matters), as at the Latest Practicable Date, there have been no known material changes in the financial position of the Company since 31 December 2017, being the date to which the Company's last published audited accounts were made up.

7. DISCLOSURE OF INTERESTS OF THE INDEPENDENT FINANCIAL ADVISER

7.1 Interests of IFA in Company Securities in the Company

Neither the IFA, its related corporations nor any of the funds whose investments are managed by the IFA on a discretionary basis owns or controls any Company Securities as at the Latest Practicable Date.

7.2 Dealings in Company Securities by IFA

Neither the IFA, its related corporations nor any of the funds whose investments are managed by the IFA on a discretionary basis has dealt for value in the Company Securities during the Relevant Period.

8. DISCLOSURE OF INTERESTS

8.1 Interests of Directors and Substantial Shareholders in the Company

(a) The table below sets out the interests of Directors and Substantial Shareholders in the Company as at the Latest Practicable Date, based on the information in the Company's Register of Directors' Shareholdings and the Register of Substantial Shareholders respectively.

	Number of Shares				Total (%)
	Direct Interest	%	Deemed Interest	%	
Name of Directors					
Xie Ruliang	–	–	–	–	–
Lin Xingdi	–	–	–	–	–
Tham Wan Loong, Jerome	30,000	0.03	–	–	0.03
Sze Man Kam	–	–	–	–	–
Low Chin Parn Eric	–	–	–	–	–
Teo Boon Hai	–	–	–	–	–
Substantial Shareholders (other than Directors)					
China Success Group (International Holdings) Limited(1)	20,545,000	18.06	–	–	18.06
Cao Xiangbin(1)	–	–	20,545,000	–	18.06
Daewoo Securities Co., Ltd(2)	–	–	8,309,314	7.30	7.30
Fleur Growth Fund Limited(3)	29,996,214	26.37	–	–	26.37
China Full International Investments Limited(3)(4)	–	–	29,996,214	26.37	26.37
Orient Fame (Asia) Limited(3)(5)	–	–	29,996,214	26.37	26.37
Ye Chunyan(4)	–	–	29,996,214	26.37	26.37
Lin Liangzhu(5)	–	–	29,996,214	26.37	26.37

Notes:

(1) Mr Cao Xiangbin is the 99.8% legal and beneficial shareholder of China Success Group (International Holdings) Limited, being the Offeror. By virtue of Section 4 of the Securities and Futures Act, Mr Cao is deemed interested in the Shares held by the Offeror in the issued and paid-up share capital of the Company.

(2) Daewoo Securities Co., Ltd holds 8,309,314 Korean Depository Receipts representing 8,309,314 Shares in the issued and paid-up capital of the Company. Each Korean Depository Receipt represents the right to one (1) Share in the issued and paid-up share capital of the Company.

(3) China Full International Investments Limited is a shareholder of Fleur Growth Fund Limited. By virtue of Section 4 of the Securities and Futures Act, China Full International Investments Limited is deemed interested in the Shares held by Fleur Growth Fund Limited in the issued and paid-up share capital of the Company.

Orient Fame (Asia) Limited is a shareholder of Fleur Growth Fund Limited. By virtue of Section 4 of the Securities and Futures Act, Orient Fame (Asia) Limited is deemed interested in the Shares held by Fleur Growth Fund Limited in the issued and paid-up share capital of the Company.

(4) Ye Chunyan is the beneficial owner of China Full International Investments Limited. By virtue of Section 4 of the Securities and Futures Act, Ye Chunyan is deemed interested in the Shares held by Fleur Growth Fund Limited in the issued and paid-up share capital of the Company through her shareholdings in China Full International Investments Limited.

(5) Lin Liangzhu is the beneficial owner of Orient Fame (Asia) Limited. By virtue of Section 4 of the Securities and Futures Act, Lin Liangzhu is deemed interested in the Shares held by Fleur Growth Fund Limited in the issued and paid-up share capital of the Company through his shareholdings in Orient Fame (Asia) Limited.

(b) Save as disclosed in paragraph 8.1(a) above, none of the Directors has any direct or deemed interest in the Company Securities as at the Latest Practicable Date.

(c) None of the Directors has dealt for value in the Company Securities during the Relevant Period.

8.2 Interests of the Company and the Directors in the Offeror

(a) As at the Latest Practicable Date, none of the Directors or the Company has any direct or deemed interest in the shares of the Offeror or convertible securities, warrants, options and derivatives in respect of the shares of the Offeror (collectively, "**Offeror Securities**") and for the purposes of this Circular:

"**convertible securities**" refers to securities convertible or exchangeable into new shares or existing shares in the company;

"**derivatives**" includes any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of an underlying security or securities;

"**options**" refers to options to subscribe for or purchase new shares or existing shares in the company; and

"**warrants**" refers to rights to subscribe for or purchase new shares or existing shares in the company.

(b) None of the Directors or the Company has dealt for value in any Offeror Securities during the Relevant Period.

8.3 Directors' Intentions

Mr. Tham Wan Loong, Jerome has confirmed that he will be accepting the Exit Offer in respect of his Shares.

8.4 Directors' Service Contracts

As at the Latest Practicable Date, (a) there are no service contracts between any Director or proposed director with the Company or any of its subsidiaries with more than 12 months to run, which the employing company cannot, within the next 12 months, terminate without payment of compensation; and (b) there were no service contracts entered into or amended between any Director or proposed director and the Company or any of its subsidiaries during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

8.5 Arrangement Affecting Directors

As at the Latest Practicable Date:

(a) there are no payments or other benefits which will be made or given to any Director or any director of any corporation, which is by virtue of Section 6 of the Companies Act, deemed to be related to the Company, as compensation for loss of office or as consideration for or in connection with his retirement from office or otherwise in connection with the Exit Offer;

(b) there are no agreements or arrangements made between any Director and any other person in connection with or conditional upon the outcome of the Exit Offer; and

(c) none of the Directors has a material personal interest, whether direct or indirect, in any material contract entered into by the Offeror.

9. MATERIAL CONTRACT WITH INTERESTED PERSONS

Save as disclosed in the Company's annual reports, its announcement relating to past interested person transactions dated 9 May 2019 or any publicly available information on the Company, neither the Company nor any of its subsidiaries has entered into material contracts (not being contracts entered into in the ordinary course of business of the Group) with persons who are Interested Persons (as defined below), during the period commencing three (3) years prior to the Offer Announcement Date and ending on the Latest Practicable Date.

An "**Interested Person**", as defined in the Note on Rule 24.6 of the Code read with the Note on Rule 23.12 of the Code, is:

(a) a director, chief executive officer, or Substantial Shareholder of the Company;

(b) the immediate family of a Director, the chief executive officer, or a Substantial Shareholder (being an individual) of the Company;

(c) the trustees, acting in their capacity as such trustees, of any trust of which a Director, the chief executive officer, or a Substantial Shareholder (being an individual) and his immediate family is a beneficiary;

(d) any company in which a Director, the chief executive officer, or a Substantial Shareholder (being an individual) together and his immediate family together (directly or indirectly) have an interest of 30% or more;

(e) any company that is the subsidiary, holding company or fellow subsidiary of the Substantial Shareholder (being a company); or

(f) any company in which a Substantial Shareholder (being a company) and any of the companies listed in (e) above together (directly or indirectly) have an interest of 30% or more.

10. MATERIAL LITIGATION

As at the Latest Practicable Date, none of the Company or its subsidiaries is engaged in any material litigation or arbitration proceedings, either as plaintiff or defendant, which might materially and adversely affect the financial position of the Company or its subsidiaries taken as a whole and the Directors are not aware of any litigation, claims or proceedings pending or threatened against the Company or its subsidiaries or any facts likely to give rise to any proceedings which might materially and adversely affect the financial position of the Company and its subsidiaries taken as a whole.

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The following information on the Offeror has been extracted from Appendix II of the Offer Document and set out below.

"***1. DIRECTOR***

The name, address and description of the directors of the Offeror as at the Latest Practicable Date are as follows:

Name	***Address***	***Description***
Cao Xiangbin	*c/o Suite 2607, 26/F Two Chinachem Exchange Square 338 King's Road North Point, Hong Kong*	*Director*
Chen Fen	*c/o Suite 2607, 26/F Two Chinachem Exchange Square 338 King's Road North Point, Hong Kong*	*Director*

2. PRINCIPAL ACTIVITY AND SHARE CAPITAL

The Offeror is a company incorporated in Hong Kong on 21 January 2005. Its principal activity is that of investment holding. As at the Latest Practicable Date, the Offeror has issued 10,000 shares with a par value of HK$1.00 per share.

3. FINANCIAL SUMMARY

As the Offeror is an investment holding company which has not carried on any business since its incorporation, except to enter into certain arrangements in connection with the Exit Offer, no audited or unaudited financial statements of the Offeror have been prepared since the date of its incorporation as at the Latest Practicable Date.

As no audited financial statements of the Offeror have been prepared as at the Latest Practicable Date, there are no significant accounting policies to be noted.

4. MATERIAL CHANGES IN FINANCIAL POSITION

Save as a result of the financing of the Exit Offer, as at the Latest Practicable Date, there have been no known material changes in the financial position of the Offeror since the date of its incorporation.

5. REGISTERED AND PRINCIPAL OFFICE

The registered office of the Offeror is at Suite 2607, 26/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong."

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APPENDIX D – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

The audited consolidated financial statements of the Group for the financial year ended 31 December 2017 which are set out below have been reproduced from the Company's annual report for the financial year ended 31 December 2017, and were not specifically prepared for inclusion in this Circular.

A copy of the annual report of the Company for the financial year ended 31 December 2017 is available for inspection at the offices of the Company's share registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road #11-02 Singapore 068898.

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2017

	Note	The Group **31 December 2017 RMB'000**	The Group 31 December 2016 RMB'000 (restated)	The Group 1 January 2016 RMB'000 (restated)	The Company **31 December 2017 RMB'000**	The Company 31 December 2016 RMB'000
ASSETS						
Non-current						
Property, plant and equipment	5	**1,192,518**	1,348,779	1,530,276	**–**	–
Investment property - Construction work-in-progress	6	**159,045**	156,780	154,060	**–**	–
Land use rights prepayments	7	**144,854**	148,500	152,146	**–**	–
Prepayments	8	**123,635**	125,302	126,967	**–**	–
Investment in subsidiaries	9	**–**	–	–	**–**	–
		1,620,052	1,779,361	1,963,449	**–**	–
Current						
Land use rights prepayments	7	**3,646**	3,646	3,646	**–**	–
Prepayments	8	**4,554**	12,000	15,984	**–**	–
Inventories	10	**18,275**	18,929	36,357	**–**	–
Trade and other receivables	11	**225,818**	283,607	305,402	**–**	–
Bank deposits pledged	12	**17,767**	118,930	238,056	**–**	–
Cash and short term deposits	13	**15,964**	2,464	9,928	**18**	38
		286,024	439,576	609,373	**18**	38
TOTAL ASSETS		**1,906,076**	2,218,937	2,572,822	**18**	38
EQUITY AND LIABILITIES						
Capital and Reserves						
Share capital	14	**2,190,580**	2,190,580	2,190,580	**2,190,580**	2,190,580
Merger reserve	15	**(369,563)**	(369,563)	(369,563)	**–**	–
Warrant reserve	15	**13,840**	13,840	13,840	**13,840**	13,840
Accumulated losses	15	**(2,264,696)**	(2,149,671)	(1,774,581)	**(2,298,544)**	(2,295,404)
		(429,839)	(314,814)	60,276	**(94,124)**	(90,984)
LIABILITIES						
Non-current						
Borrowings	16	**523,000**	–	432,000	**–**	–
Obligations under finance leases		**–**	–	10,398	**–**	–
		523,000	–	442,398	**–**	–
Current						
Borrowings	16	**1,139,080**	1,693,928	1,189,670	**–**	–
Obligations under finance leases		**–**	–	44,821	**–**	–
Trade and other payables	17	**470,966**	681,897	735,605	**65,566**	61,582
Other liabilities	18	**202,869**	157,926	99,268	**28,576**	29,440
Provision for income tax		**–**	–	784	**–**	–
		1,812,915	2,533,751	2,070,148	**94,142**	91,022
TOTAL EQUITY AND LIABILITIES		**1,906,076**	2,218,937	2,572,822	**18**	38

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2017

	Note	**Year ended 31 December 2017 RMB'000**	Year ended 31 December 2016 RMB'000
Revenue	19	**2,514,197**	1,173,742
Cost of sales		**(2,435,169)**	(1,162,610)
Gross profit		**79,028**	11,132
Other income	20	**19,054**	12,122
Selling and distribution expenses		**(2,897)**	(3,262)
General and administrative expenses		**(90,525)**	(255,359)
Other expenses		**(1,685)**	(1,341)
Finance income	21	**2,773**	2,491
Finance expense	21	**(120,773)**	(140,873)
Loss before tax	22	**(115,025)**	(375,090)
Income tax expense	24	**–**	–
Net loss for the year, representing total comprehensive loss for the year attributable to equity holders of the Company		**(115,025)**	(375,090)
Loss per share attributable to equity holders of the Company (RMB)			
Basic and diluted	25	**(1.01)**	(3.30)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2017

The Group	Share capital RMB'000	Warrant reserve RMB'000	Merger reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2016, as reported previously	2,190,580	13,840	(369,563)	(1,795,622)	39,235
Prior year adjustments (Note 31)	–	–	–	21,041	21,041
Balance at 1 January 2016, as restated	2,190,580	13,840	(369,563)	(1,774,581)	60,276
Loss, net of tax, representing total comprehensive loss for the year	–	–	–	(375,090)	(375,090)
Balance at 31 December 2016, as restated	2,190,580	13,840	(369,563)	(2,149,671)	(314,814)
Loss, net of tax, representing total comprehensive loss for the year	**–**	**–**	**–**	**(115,025)**	**(115,025)**
Balance at 31 December 2017	**2,190,580**	**13,840**	**(369,563)**	**(2,264,696)**	**(429,839)**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 31 December 2017

	Note	**Year ended 31 December 2017 RMB'000**	Year ended 31 December 2016 RMB'000
Cash Flows from Operating Activities			
Loss before tax		**(115,025)**	(375,090)
Adjustments for:			
Amortisation of land use rights	7	**3,646**	3,646
Amortisation of land preparation cost	8	**1,667**	1,665
Depreciation of property, plant and equipment	5	**159,142**	138,457
Impairment losses on property, plant and equipment	5	**–**	112,010
Impairment loss on trade and other receivables	11	**10,068**	29,228
Interest expense	21	**120,773**	140,873
Interest income	21	**(2,773)**	(2,491)
Reversal of impairment of trade receivables	11	**(29,994)**	–
Loss on disposal of property, plant and equipment	22	**1,699**	–
Operating profit before working capital changes		**149,203**	48,298
Changes in inventories		**654**	17,428
Changes in prepayments		**7,446**	3,984
Changes in trade and other receivables		**77,715**	(7,432)
Changes in trade and other payables		**(62,440)**	62,505
Cash flows generated from operations		**172,578**	124,783
Interest received		**2,773**	2,491
Income taxes paid		**–**	–
Net cash flows generated from operating activities		**175,351**	127,274
Cash Flows from Investing Activities			
Proceeds from disposal of property, plant and equipment		**2,622**	–
Purchase of property, plant and equipment, representing net cash flows used in investing activity (Note A)		**(37,244)**	(40,351)
Additions to investment property - construction work-in-progress	6	**(2,265)**	(2,720)
Net cash flows used in investing activities		**(36,887)**	(43,071)
Cash Flows from Financing Activities			
Proceeds from bank loans and non-financial institutions (Note B)		**1,208,180**	1,240,148
Repayment of bank loans and non-financial institutions (Note B)		**(1,240,028)**	(1,167,890)
Repayment of obligations under finance leases		**–**	(55,219)
Proceeds of interest-free loans from a government-linked entity, a non-related third party and a shareholder		**–**	220,000
Decrease in bills payables (Note B)		**(113,004)**	(356,855)
Interest paid		**(81,275)**	(90,977)
Decrease in bank deposits pledged		**101,163**	119,126
Net cash flows used in financing activities		**(124,964)**	(91,667)
Net increase/(decrease) in cash and cash equivalents		**13,500**	(7,464)
Cash and cash equivalents as at beginning of financial year		**2,464**	9,928
Cash and cash equivalents as at end of financial year	13	**15,964**	2,464

CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

for the financial year ended 31 December 2017

Note A. Property, plant and equipment

	Note	**Year ended 31 December 2017 RMB'000**	Year ended 31 December 2016 RMB'000
Additions to property, plant and equipment	5	**7,202**	68,970
Less: Amounts included in accrued capital expenditure in current year	17	**(61,867)**	(91,909)
Add: Amounts included in accrued capital expenditure in prior year		**91,909**	63,290
Net cash outflow for purchase of property, plant and equipment		**37,244**	40,351

Note B. Reconciliation of liabilities arising from financing activities

	As at 31 December 2016 RMB'000	**Cash flows – Proceeds from loans RMB'000**	**Cash flows – Repayment of loans RMB'000**	**As at 31 December 2017 RMB'000**
Borrowings (Note 16):				
Financial institutions	1,224,178	1,197,280	(1,192,478)	**1,228,980**
Non-financial institutions	469,750	10,900	(47,550)	**433,100**
	1,693,928	1,208,180	(1,240,028)	**1,662,080**
Bills payables (Note 17)	130,600	–	(113,004)	**17,596**
Total	1,824,528	1,208,180	(1,353,032)	**1,679,676**

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2017

1 General Information

The financial statements of the Company and the Group for the financial year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' Statement.

China Gaoxian Fibre Fabric Holdings Ltd. (the "Company") is a limited liability company incorporated and domiciled in Singapore. The Company is listed on the Singapore Exchange Securities Trading Limited (SGX-ST).

The registered office of the Company is at 80 Robinson Road #02-00, Singapore 068898 and the principal places of business of the Group are located at Industrial Area of Balidian Town, Wuxing District, Huzhou City, Zhejiang Province, Peoples' Republic of China ("PRC") and No. 574, Caozhu Village Industry Zone, Tantou Town, Changle City, Fujian Province, PRC.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 9 to the financial statements.

2 Going concern

The Group incurred losses for the financial year of RMB 115.0 million (2016 - RMB 375.1 million) for the financial year ended 31 December 2017. At that date, the Group and the Company reported deficiencies in net current assets of RMB 1.5 billion and RMB 94.1 million (2016 - deficiency in net current assets of RMB 2.1 billion and RMB 91.0 million). The Company also reported a deficiency in net assets of RMB 94.1 million (2016 - RMB 91.0 million) as at the balance sheet date.

On 2 March 2016, the Company announced that the Singapore Exchange Securities Trading Limited (the "SGX-ST") has notified the Company that pursuant to Rule 1311 (1), the Company would be placed on the Watch-List for 36 months from 3 March 2016, failing which the SGX-ST may either remove the Company from the official list of the SGX-ST (the "Official List") or suspend trading of the Company with a view to remove the Company from the Official List. Furthermore, on 2 June 2017, the Company announced that SGX-ST has notified the Company that it will be placed on the Watch-list due to the Minimum Trading Price ("MT") Entry Criteria with effect from 5 June 2017. The Company must take active steps to meet the requirements under Rule 1314(2) of the Listing Manual of the SGX-ST (the "Listing Manual") for its removal from Watch-list within 36 months from 5 June 2017, failing which, SGX-ST may either remove the Company from the official list of the SGX-ST (the "Official List"), or suspend trading of the Company with a view to remove the Company from the Official List.

These factors indicate the existence of a material uncertainty which may cast significant doubt on the Group and the Company's ability to continue as a going concern.

The matters set out in the paragraphs above indicate the existence of a material uncertainty which may affect the validity of the going concern assumption on which the accompanying financial statements are prepared.

The directors are of the view that the going concern assumption is appropriate for the preparation of these financial statements as the directors believe that:

(a) The Group will be able to generate sufficient operating cash flows from the full production of Huaxiang China plant to fund its working capital needs;

(b) The commencement of the Framework Supply Chain Cooperation Agreement with Zhejiang Materials Industry Chemical Group Co., Ltd. ("Zhejiang Materials") since 1 December 2016 has allowed management to draw raw materials directly from Zhejiang Materials under a "Just-in-Time" inventory model. The Group will no longer need to utilise its "free cash" to purchase raw materials for production, which is currently on a cash on delivery basis. The surplus cash can be used to repay the banks' and third parties' borrowings, thereby reducing the high interest expenses; and

2 Going concern (Cont'd)

(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 financial and non-financial institutions and third parties (collectively known as the "Lenders") since these loans will continue to be secured by guarantees from that shareholder. In FY2017, the Group was able to obtain fresh funding amounting to RMB 1,208 million from these financial and non-financial institutions to settle the Group's borrowings of RMB 1,240 million owing to these financial and non-financial institutions. The loans due to these lenders amounted to RMB 1,662 million as at 31 December 2017 (2016 - RMB 1,694 million) and were secured by personal guarantees from that shareholder.

The financial statements have been prepared on a going concern basis, which contemplate the realisation of assets and the satisfaction of liabilities in the normal course of business. The viability of the Group and the Company's operations to continue as a going concern for the next twelve months after the end of the reporting period is dependent on (i) the ability to generate sufficient operating cash flows by Huaxiang China, (ii) the ability to obtain on-going financing from non-financial institutions, third parties and financial institutions; and; (iii) the ability of one of the shareholders in providing continuing financial support to the Group and the Company as and when the liabilities fall due. As described above, management is of the view that they have a reasonable expectation that the Group and the Company has adequate resources to continue in operational existence for the foreseeable future.

If for any reason the Group is unable to continue as a going concern, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group and the Company may have to provide for further liabilities which may arise and to reclassify non-current assets and liabilities as "current assets" and "current liabilities" respectively. No such adjustments have been made to the financial statements of the Group and the Company in respect of these.

3 Basis of preparation

3.1 Background

Financial year ended 31 December 2010
In March 2011, certain discrepancies were noted in respect of the balances of bank accounts of the two principal subsidiaries of the Group namely, Zhejiang Huagang Polyester Industrial Co., Ltd ("Zhejiang Huagang") and Fujian New Huawei Fibre Dyeing Co., Ltd ("New Huawei") as at 31 December 2010. Special Auditors were then appointed by the Audit Committee to conduct an independent investigation into the Group's financial affairs, including its cash and bank balances, trade receivables balances as well as the capital expenditure of the Group incurred during the financial year ended 31 December 2010 and the financial quarter ended 31 March 2011.

Based on the interim findings of the Special Auditors announced by the Company on 30 June 2011 and other information obtained by the ex-management (comprising inter alia ex-interim CEO, Jerome Tham and ex-CFO, Chen Guo Dong), certain adjustments were subsequently made to the financial statements pertaining to cash at banks, bank deposits pledged, bank borrowings, bills payables, land use rights and property, plant and equipment. The net effect of these adjustments amounting to RMB 980,000,000 had been taken to the statement of comprehensive income for the financial year ended 31 December 2010 as "Exceptional loss".

The Special Auditors released their report on 4 May 2012 which stated that they were unable to obtain satisfactory explanations for, inter alia, unaccounted bank balances and bank liabilities as at 31 December 2010 of approximately RMB 978 million, as well as the unaccounted net outflow of cash of approximately RMB 366 million for the period from 1 January 2011 to 31 March 2011.

3 Basis of preparation (Cont'd)

3.1 Background (Cont'd)

Financial year ended 31 December 2010 (Cont'd)
As the predecessor statutory auditors were unable to complete the necessary audit procedures to determine the appropriateness of the account balances in the financial statements of the Group as at and for the financial year ended 31 December 2010, a disclaimer of audit opinion was rendered by the predecessor statutory auditors in respect of the financial statements for the financial year ended 31 December 2010 in the auditors' report dated 14 October 2011.

1 January 2011 to 31 March 2011 (1QFY2011)
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 sheets as at 31 March 2011
The 31 March 2011 balance sheets had been prepared based on information and supporting documents available to the ex-management (comprising inter alia ex-interim CEO, Jerome Tham and ex-CFO, Chen Guo Dong) after they took over the finance functions and records of the Group in May 2011.

Financial year ended 31 December 2013 and thereafter
The current auditors had carried out the appropriate audit procedures on opening balances in accordance with SSA when appointed for financial year ended 31 December 2013 and thereafter.

Financial year ended 31 December 2017
The financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS") including related Interpretations promulgated by the Accounting Standards Council ("ASC"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below. The financial statements are presented in RMB which is the Group's and the Company's functional currency. All the financial information presented in Chinese Renminbi ("RMB") has been rounded to the nearest thousand ("RMB'000") unless otherwise stated.

3.2 Interpretations and amendments to published standards effective in 2017

The directors do not anticipate that the adoption of the FRSs will have a material impact on the financial statements of the Group and the Company in the period of their initial adoption except for the following new or amended FRS and INT FRS issued and effective in year 2017:

Reference	**Description**	**Effective date (Annual Periods beginning on)**
Amendments to FRS 7	*Statement of Cash Flows*	1 January 2017

3 Basis of preparation (Cont'd)

3.2 Interpretations and amendments to published standards effective in 2017 (Cont'd)

The Amendments to FRS 7 *Statement of Cash Flows* required entities to reconcile cash flows arising from financing activities as reported in the statement of cash flows – excluding contributed equity – to the corresponding liabilities in the opening and closing statements of financial position and to disclose on any restrictions over the decisions of an entity to use cash and cash equivalent balances, in particular way - e.g. any tax liabilities that would arise on repatriation of foreign cash and cash equivalent balances. These amendments are effective on beginning or after 1 January 2017. As this is a disclosure standard, it will have no impact to the financial position and performance of the Group when applied in.

3.3 SFRS(I) not yet effective

Convergence with International Financial Reporting Standards (IFRS)

On 29 December 2017, Accounting Standards Council Singapore had issued Singapore Financial Reporting Standards (International) (SFRS(I)s), Singapore's equivalent of the International Financial Reporting Standards (IFRSs). Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore are required to apply SFRS(I)s for annual periods beginning on or after 1 January 2018.

The Group has performed a preliminary assessment of the impact of IFRS1 and then to SFRS(I) for the transition to the new reporting framework. Based on the Group's preliminary assessment, the Group does not expect to change its existing accounting policies on adoption of the new framework.

A number of new standards and amendments to standards are effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. However, the Group has not early applied the following new or amended standards in preparing these statements. For those new standards and amendments to standards that are expected to have an effect on the financial statements of the Group and the Company in future financial periods, the Group assessed the transition options and the potential impact on its financial statements, and to implement these standards.

Reference	Description	Effective date (Annual periods beginning on)
IFRS 1	*First-time Adoption of International Financial Reporting Standards*	1 January 2018
SFRS(I) 9	*Financial Instruments*	1 January 2018
SFRS(I) 15	*Revenue from Contracts with Customers*	1 January 2018
SFRS(I) 1 – 40	*Amendments Transfers of Investment Property*	1 January 2018
SFRS(I) 16	*Leases*	1 January 2019

IFRS 1 *First-time Adoption of International Financial Reporting Standards*

When the Group adopts IFRS in 2018, the Group will apply IFRS 1 with 1 January 2017 as the date of transition for the Group and the Company. IFRS 1 generally requires that the Group applies IFRS on a retrospective basis, as if such accounting policy had always been applied.

3 Basis of preparation (Cont'd)

3.3 SFRS(I) not yet effective (Cont'd)

IFRS 1 *First-time Adoption of International Financial Reporting Standards* (Cont'd)
If there are changes to the accounting policies arising from new or amended standards effective in 2018, restatement of comparatives may be required because IFRS 1 requires both the opening balance sheet and comparative information to be prepared using the most current accounting policies. IFRS 1 provides mandatory exceptions and optional exemptions from retrospective application, but these are often different from those specific transition provisions in individual FRSs applied to the FRS financial statements. The Group does not expect the application of the mandatory exceptions and the optional exemptions in IFRS 1 to have any significant impact on the financial statements.

SFRS(I) 9 *Financial Instruments*
SFRS(I) 9 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment of financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from FRS 39.

SFRS(I) 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. Retrospective application is generally required, except for hedge accounting. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Restatement of comparative information is not mandatory. If comparative information is not restated, the cumulative effect is recorded in opening equity as at 1 January 2018.

During 2017, the Group completed its initial assessment of the impact on the Group's financial statements. Overall, the Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under SFRS(I) 9.

Loans and receivables currently accounted for at amortised cost will continue to be accounted for using amortised cost model under SFRS(I) 9. The Group does not have any financial assets held at fair value or classified as "available for sale".

Impairment – The Group plans to apply the simplified approach and records lifetime expected impairment losses on all trade receivables. On adoption of SFRS(I) 9, the Group does not expect a significant increase in the impairment loss allowance.

Transition – The Group plans to apply the transitional provisions that require first-time adopter of SFRS(I) to restate comparative when applying SFRS(I) 9 for the first time for its first set of SG-IFRS financial statements.

SFRS(I) 15 *Revenue from Contracts with Customers*
SFRS(I) 15 *Revenue from Contracts with Customers* establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also establishes principles to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. In addition, it also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

When effective, SFRS(I) 15 replaces existing revenue recognition guidance, including FRS 18 *Revenue*, FRS 11 *Construction Contracts*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services*.

SFRS(I) 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

3 Basis of preparation (Cont'd)

3.3 SFRS(I) not yet effective (Cont'd)

SFRS(I) 15 *Revenue from Contracts with Customers* (Cont'd)
SFRS(I) 15 *Revenue Contracts with Customers* clarifies how to:

- Identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract
- Determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and
- Determine whether the revenue from granting a licence should be recognised at a point in time or over time.

The amendments have the same effective date as the Standard, SFRS(I) 15, i.e. on 1 January 2018.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is adopting SFRS(I) 15 in its financial statements for the year ending 31 December 2018. During 2017, the Group completed its initial assessment of the impact on the Group's financial statements. Based on its initial assessment, the Group does not expect significant changes to the basis of revenue recognition for its revenue from sale of goods on the adoption of SFRS(I)15. Management does not plan to early adopt the new SFRS (I) 15.

Amendments to SFRS(I) 40 *Transfer of Investment Property*

The amendments in SFRS(I) 40 *Transfers of Investment Property* state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

The amendments are effective on 1 January 2018. However, earlier adoption is permitted. The amendments would be applied retrospectively in accordance with FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The Group is reassessing the impact to the consolidated financial statements.

SFRS(I) 16 *Leases*

SFRS(I) 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and financial liabilities to pay rentals with a term of more than 12 months, unless the underlying asset is of a low value.

SFRS(I) 16 substantially carries forward the lessor accounting requirements in FRS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the FRS 17 operating lease and finance lease accounting models respectively. However, SFRS(I) 16 requires more extensive disclosures to be provided by a lessor. When effective, SFRS(I) 16 replaces existing lease accounting guidance, including FRS 17, INT FRS 104 *Determining whether an Arrangement* contains a Lease, INT FRS 15 *Operating Leases – Incentives* and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if SFRS(I) 15 is also applied.

The Group has performed a preliminary assessment of the new standard on its existing operating lease arrangements as a lessee. Based on the preliminary assessment, the Group has factory where they are operating leases. The Group expects these operating leases to be recognised as ROU assets with corresponding lease liabilities under the new standard. This would increase the gearing ratio of the Group. It is currently impracticable to disclose any further information on the known or reasonable estimable impact to the entity's financial statement. Management does not plan to early adopt the above new SFRS (I) 16.

3 Basis of preparation (Cont'd)

3.4 Summary of significant accounting policies

3.4.1 Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

Consolidation of the subsidiaries in the People's Republic of China ("PRC") is based on the subsidiaries' financial statements prepared in accordance with FRS. Profits reflected in the financial statements prepared in accordance with FRS may differ from those reflected in the PRC statutory financial statements of the subsidiary, prepared for PRC reporting purposes. In accordance with the relevant laws and regulations in PRC, profit available for distribution by the PRC subsidiaries are based on the amounts stated in the PRC statutory financial statements.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

3.4.2 Subsidiary

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Thus, the Group controls an investee if and only if the Group has all of the following:

- power over the investee;
- exposure, or rights or variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Non-Controlling Interest

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

3 Basis of preparation (Cont'd)

3.4 Summary of significant accounting policies (Cont'd)

3.4.2 Subsidiary (Cont'd)

Changes in ownership interests in subsidiaries without change of control

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Group.

When the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts as at that date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

A gain or loss is recognised in the statement of comprehensive income and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRSs). The fair value of any investment retained in the former subsidiary at the date when the control is lost is regarded as the fair value on the initial recognition for subsequent accounting under FRS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's separate financial statements, investment in subsidiaries are stated at cost less allowance for any impairment losses on an individual subsidiary basis.

3.4.3 Functional currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements of the Group and the Company are presented in RMB, which is also the functional currency of the Company.

Conversion of foreign currencies

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognised in the statement of comprehensive income. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

3 Basis of preparation (Cont'd)

3.4 Summary of significant accounting policies (Cont'd)

3.4.3 Functional currency (Cont'd)

Conversion of foreign currencies (Cont'd)
Transactions and balances (Cont'd)
When a foreign operation is disposed of or any borrowings forming part of the net investment of the foreign operation are repaid, a proportionate share of the accumulated translation differences is reclassified to statement of comprehensive income, as part of the gain or loss on disposal.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income within "finance expense". Foreign currency gains and losses are reported on a net basis as either other income or other operating expense depending on whether foreign currency movements are in a net gain or net loss position.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

3.4.4 Property, plant and equipment
All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 3.4.13. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of comprehensive income as incurred.

Depreciation is computed on a straight-line basis over the estimated useful life of the assets as follows:

Production and office buildings	20 to 30 years
Plant and machinery	10 to 15 years
Office equipment and furniture	5 to 8 years
Motor vehicles	5 to 8 years
Renovation	5 years

Construction-in-progress, which represents plant and equipment and buildings under construction, is stated at cost less any impairment losses. Cost comprises direct costs incurred during the periods of construction, installation and testing. Capitalisation of these costs ceases and construction-in-progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed and the assets are available for use.

3 Basis of preparation (Cont'd)

3.4 Summary of significant accounting policies (Cont'd)

3.4.4 Property, plant and equipment (Cont'd)

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. The residual values, useful lives and depreciation methods are reviewed at each financial year end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the statement of comprehensive income in the year the asset is derecognised.

3.4.5 Investment properties

Investment properties include those portions of office buildings that are held for long-term rental yields and/or for capital appreciation and land under operating leases that are held for long-term capital appreciation or for a currently indeterminate use, and where an insignificant portion is held for the group's own occupation. Investment properties comprise completed investment properties and properties under construction or development for future use as investment properties.

Investment properties are initially recognised at cost and subsequently, measured at cost less accumulated depreciation and any accumulated impairment losses.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised as additions and the carrying amounts of the replaced components are written off to the statement of comprehensive income. The cost of maintenance, repairs and minor improvement is charged to the statement of comprehensive income when incurred.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. On disposal or retirement of an investment property, the difference between any disposal proceeds and the carrying amount is recognised in the statement of comprehensive income.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when and only when, there is a change in use, evidenced by the commencement of owner-occupation or commencement of development with a view to sell.

3.4.6 Land use rights prepayments

The land use rights held by the Group are regarded as operating leases. The amounts paid for these rights are treated as prepayments and are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised in the statement of comprehensive income over the lease term of 50 years.

3.4.7 Land preparation costs

Land preparation costs relate to the cost of relocation of the farmers, land tiling and pavement of roads and other infrastructure work. The land preparation cost is amortised in the statement of comprehensive income on a straight line over the land lease term of 50 years.

3 Basis of preparation (Cont'd)

3.4.8 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets subject to impairment are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the assets belong will be identified.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value-in-use, based on an internal discounted cash flow evaluation. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Any impairment loss is charged to the statement of comprehensive income.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

A reversal of an impairment loss is recognised as income in the statement of comprehensive income.

3.4.9 Financial assets

Financial assets can be divided into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated and classification may be changed at the reporting date with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

All financial assets are recognised on their trade date - the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value, plus directly attributable transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value.

Derecognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each reporting date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3 Basis of preparation (Cont'd)

3.4 Summary of significant accounting policies (Cont'd)

3.4.9 Financial assets (Cont'd)

Non-compounding interest and other cash flows resulting from holding financial assets are recognised in the statement of comprehensive income when received, regardless of how the related carrying amount of financial assets is measured.

The Group does not hold any financial assets at fair value through profit or loss, held-to-maturity investments or available-for-sale financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the reporting date which are classified as non-current assets.

Loans and receivables include trade and other receivables (excluding VAT receivables, advances received and prepayments) and cash and bank balances. They are subsequently measured at amortised cost using the effective interest method, less allowance for impairment. If there is objective evidence that the asset has been impaired, the financial asset is measured at the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. The impairment or write-back is recognised in the statement of comprehensive income.

3.4.10 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and bank deposits net of any pledged bank deposits.

3.4.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition, are accounted for as follows:

- Raw materials - purchase cost on a weighted average basis.
- Work-in-progress and finished goods - cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Allowance is made for obsolete, slow-moving and defective inventories in arriving at the net realisable value. The amount of any write-down of inventories to net realisable value is recognised as an expense in the period the write-down occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

3 Basis of preparation (Cont'd)

3.4 Summary of significant accounting policies (Cont'd)

3.4.12 Financial liabilities

The Group's financial liabilities include borrowings, trade and other payables and other liabilities.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest-related charges are recognised as an expense in "finance expense" in the statement of comprehensive income. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Borrowings are recognised initially at the fair value of proceeds received less attributable transaction costs, if any. Borrowings are subsequently stated at amortised cost which is the initial fair value less any principal repayments. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to the statement of comprehensive income over the period of the borrowings using the effective interest method. The interest expense is chargeable on the amortised cost over the period of the borrowings using the effective interest method.

Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the amortisation process.

Borrowings which are due to be settled within 12 months after the end of reporting period are included in current borrowings in the statement of financial position even though the original terms was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the end of reporting period. Borrowings to be settled within the Group's normal operating cycle are classified as current. Other borrowings due to be settled more than twelve months after the end of reporting period are included in non-current borrowings in the statement of financial position.

3.4.13 Borrowing costs

Borrowing costs are capitalised as part of a qualifying asset if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3.4.14 Leases

<u>Where the Group is the lessee</u>
<u>Finance leases</u>
Where assets are financed by lease agreements that give rights approximating to ownership, the assets are capitalised as if they had been purchased outright at values equivalent to the lower of the fair values of the leased assets and the present value of the total minimum lease payments during the periods of the leases. The corresponding lease commitments are included under liabilities. The excess of lease payments over the recorded lease obligations are treated as finance charges which are amortised over each lease to give a constant effective rate of charge on the remaining balance of the obligation.

The leased assets are depreciated on a straight-line basis over their estimated useful lives as detailed in the accounting policy on "Property, plant and equipment".

3 Basis of preparation (Cont'd)

3.4 Summary of significant accounting policies (Cont'd)

3.4.14 Leases (Cont'd)

Where the Group is the lessee (cont'd)
Operating leases
Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Rentals on operating leases are charged to the statement of comprehensive income on a straight-line basis over the lease term. Lease incentives, if any, are recognised as an integral part of the net consideration agreed for the use of the leased asset. Penalty payments on early termination, if any, are recognised in the statement of comprehensive income when incurred.

Where the Group is the lessor
Operating leases
Rental income is recognised on a straight-line basis over the lease term.

3.4.15 Employee benefits

Pension obligations
The Group participates in the defined contribution national pension schemes as provided by the laws of the countries in which it has operations.

Pursuant to the relevant regulations of the PRC government, the employees of the subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government (the "Central Pension Scheme"), whereby the PRC subsidiaries are required to contribute a certain percentage of the basic salaries of their employees to the Central Pension Scheme. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the PRC subsidiaries. The only obligation of the PRC subsidiaries with respect to the Central Pension Scheme is to pay the ongoing required contributions under the Central Pension Scheme. Contributions under the Central Pension Scheme are charged to the statement of comprehensive income as incurred. The assets of the Central Pension Scheme are held separately from those of the PRC subsidiaries in independently administered funds.

A defined contribution national pension scheme is a post-employment benefit plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. The contributions to national pension schemes are charged to the statement of comprehensive income in the period to which the contributions made. The Group is subject only to defined contribution plans.

Employee leave entitlements
Employee entitlements to annual leave are recognised when they accrue to employees. Accrual is made for the unconsumed leave as a result of services rendered by employees up to the end of each reporting period.

Key management personnel
Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors and certain general managers are considered key management personnel.

3 Basis of preparation (Cont'd)

3.4 Summary of significant accounting policies (Cont'd)

3.4.16 Revenue

Revenue from sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue excludes goods and services taxes and is arrived at after deduction of trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

The Group assesses its revenue arrangements to determine if it is acting as principal or agent. In a transaction where the Group acts as an agent, such commission income is recognised net on an accrual basis. The following specific recognition criteria must also be met before revenue is recognised:

(a) ***Sale of goods and scrap materials***

Revenue is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) ***Interest income***

Interest income is recognised as it accrues in the statement of comprehensive income, using the effective interest method.

3.4.17 Government Grant

An unconditional government grant is recognised in the statement of comprehensive income as "other income" when the grant becomes receivable.

Other government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. These grants are then recognised in the statement of comprehensive income as "other income" on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses incurred are recognised in the statement of comprehensive income as "other income" on a systematic basis in the same periods in which the expenses are recognised.

3.4.18 Taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

3 Basis of preparation (Cont'd)

3.4 Summary of significant accounting policies (Cont'd)

3.4.18 Taxes (Cont'd)

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the end of reporting period, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in the statement of comprehensive income, except to the extent that the tax arises from a business combination or a transaction which is recognised either in other comprehensive income or directly in equity. Deferred income tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority.

3.4.19 Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. All operating segments' operating results are reviewed regularly by the Group's directors to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Additional disclosures on operating segments are shown in Note 26 to the financial statements, including the factors used to identify the reportable segments and the measurement basis of segment information.

Segment results that are reported to the Group's directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

3.4.20 Share capital and share issue expenses

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

3.4.21 Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

   (i) has control or joint control over the Company;
   (ii) has significant influence over the Company; or
   (iii) is a member of the key management personnel of the Group or Company or of a parent of the Company

3 Basis of preparation (Cont'd)

3.4 Summary of significant accounting policies (Cont'd)

3.4.21 Related parties (Cont'd)

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) both entities are joint ventures of the same third party.
(iv) one entity is a joint venture of a third party and the other entity is an associate of the third entity.
(v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
(vi) the entity is controlled or jointly controlled by a person identified in (a);
(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

3.4.22 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

3.4.23 Intra-group financial guarantees

Financial guarantee contracts are accounted for as insurance contracts. A provision is recognised based on the Company's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date. The provision is assessed by reviewing individual claims and tested for adequacy by comparing the amount recognised and the amount that would be required to settle the guarantee contract.

3.4.24 Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

4 Significant accounting estimates and judgements

The preparation of the financial statements in conformity with FRS requires the management to exercise judgement in the process of applying the Group's accounting policies and requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the end of the reporting periods, and the reported amounts of revenues and expenses during the financial years. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the financial year in which the estimate is revised if the revision affects only the financial year or in the financial year of the revision and future financial years if the revision affects both current and future financial years.

4.1 Significant judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which has the most significant effect on the amounts recognised in the consolidated financial statements:

<u>Determination of functional currency</u>
The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the respective entities in the Group, judgement is required to determine the currency that mainly influences sales prices of goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on the local management's assessment of the economic environment in which the entities operate and the respective entities' process of determining sales prices.

<u>Classification of leases</u>
The Group entered into a number of lease arrangements with third parties as disclosed in Note 5(g) to the financial statements. Lease classification depends on the substance of the transaction rather than the form of the contract and involves significant management's judgement. For each of the lease arrangement entered, management has evaluated the terms and conditions of the lease agreement entered and determined the appropriate classification of the lease arrangement in accordance with FRS 17 - *Leases*.

<u>Classification of land use rights (Note 8)</u>
As at 31 December 2017, included in "prepayments" to the financial statements was prepaid land use rights of RMB 56.0 (2016 - RMB 56.0 million) relating to a plot of state owned land in the PRC. There was no formal agreement signed with the relevant authorities and no land title has been obtained. The directors are of the opinion that there is no recoverability issue as the prepayment was made to 湖州市吴兴区人民政府.

Within the PRC, it is the practice for the State to issue land use rights to individuals or entities. Such rights are evidenced through the granting of a land use right certificate, which gives the holder the right to use the land (including the construction of buildings thereon) for a given length of time. An upfront payment is made for this right. Management judges that the substance of this arrangement is an operating lease over the land, and that the upfront payment represents prepaid lease rental. As such, a prepayment is recognised in the consolidated statement of financial position, analysed between current and non-current assets which represent amounts to be utilised within and after 12 months from the end of each reporting period respectively. The prepaid lease cost is amortised to spread the lease cost over the duration of the term of the land use right, as specified in the land use right certificate.

4 Significant accounting estimates and judgements (Cont'd)

4.1 Significant judgements made in applying accounting policies (Cont'd)

Recognition of contingencies (Note 32)
On 8 March 2016, the Company announced that on 1 December 2015, a claim was brought against the Company by Daewoo Securities Co., Ltd (the "Plaintiff") in Korea, in connection with an alleged breach of an underwriting agreement signed between the Company and the Plaintiff in 2010. The Plaintiff was then the lead arranger for the Company's public offering of depository receipts ("DRs") which were listed on the Korea Exchange in 2011. In connection with the said listing of the DRs, the Company had entered into an underwriting agreement with the Plaintiff. The Plaintiff had filed a claim for damages of 1 billion Korean Won (plus interest) (i.e. approximately RMB 5.4 million or S$1.15 million), for the alleged breach by the Company for violating its representation and warrant obligation under the Underwriting Agreement in respect of the provision of inaccurate financial statements to the Plaintiff and false description of cash and assets in the statements submitted in relation to the listing of the DRs. The Board of Directors of the Company first met the representative of the Plaintiff in May 2016. The first hearing was postponed to 8 July 2016. As at the date of the report, there was no further development on this matter.

The Company intends to defend the plaintiff's claims and has engaged a Singapore legal counsel to seek legal advice. Management has assessed that the financial impact, including any outflows to settle this obligation, if any, will not be significant to the Group.

Presentation of revenue under the Framework Supply Chain Cooperation Agreement
On 1 December 2016, Huaxiang China, a wholly owned subsidiary of the Company entered into a framework supply chain cooperation agreement (the "Cooperation Agreement") with a state-owned enterprise Zhejiang Materials, for a period of 3 years, commencing from 1 December 2016 to 31 December 2019.

Under the Cooperation Agreement, Zhejiang Materials will act as the sole distribution agent of the Group's finished goods. The Group will be entitled to (i) a fee computed based on the actual raw material prices used in its production plus a pre-determined fixed processing fee, which will be revised quarterly and (ii) a profit share arising from the sale of the finished goods by Zhejiang Materials to its end customers after deducting certain related costs.

Arrangements that involve multiple parties within a distribution chain providing goods or services to customers require the Group within that chain to exercise significant judgement in evaluating whether it is a principal (presenting revenue gross) or an agent (presenting revenue net) in the transaction. The determination is based on an evaluation of whether the Group has the substantial risks and rewards of ownership under the terms of the arrangement.

Management evaluated the risks and responsibilities undertaken by the Group in accordance with FRS 18 – *Revenue*. Factors taken into consideration to establish principal versus agent relationship include whether the Group (i) has primary responsibility for providing the goods or services to the customer, (ii) bears inventory risks before, or after the customer order, during shipping or on return, (iii) has latitude in establishing prices, either directly or indirectly and (iv) bears the customers' credit risks for the amount receivable from the customers. Judgement is required and all relevant facts and circumstances need to be considered.

Following the assessment, management concluded that Huaxiang China acts as a principal in respect of the sales of goods to Zhejiang Materials and an agent in respect of the arrangement between Zhejiang Materials and its end customers. Accordingly, management presents the revenue from the sales of goods to Zhejiang Materials amounting to RMB 2.34 billion on a "gross basis" and records its share of the profits amounting to RMB 169.7 million generated from the arrangement in the consolidated statement of comprehensive income, respectively.

4 Significant accounting estimates and judgements (Cont'd)

4.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimate on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future development, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumption when they occur.

Useful life of property, plant and equipment (Note 5)
Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Changes in the expected level of usage, maintenance programmes, and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of the Group's property, plant and equipment as at 31 December 2017 was approximately RMB 1.19 billion (2016 - RMB 1.35 billion). A reduction/extension in the useful life of the production plant and machinery by one year (2016 - one year) would increase/decrease the Group's loss for the financial year by approximately RMB 25,210,000 /RMB 4,170,000 (2016 - RMB 10,732,000/RMB 8,444,000).

Allowance for inventory obsolescence (Note 10)
The Group reviews the ageing analysis of inventories at the end of each reporting period, and makes allowance for obsolete and slow moving inventory items identified that are no longer suitable for sale. The net realisable value for inventories is estimated based primarily on the latest invoice prices and current market conditions to assess future demand for products. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of the Group's inventories at the end of each reporting period is disclosed in Note 10 to the financial statements. If the net realisable values of finished goods were to decrease by 5% from management estimates, the Group's allowance for inventory obsolescence will increase by RMB 43,000 (2016 - RMB 300,000).

Impairment loss recognised on property, plant and equipment (Note 5)
The Group assessed the carrying amount of its property, plant and equipment against their recoverable amounts at each reporting date to determine whether there is an indication of impairment. The estimated recoverable amounts of each cash generating unit are determined either based on (i) fair value less costs to sell, based on the depreciated replacement cost method or (ii) value-in-use methodology which is deriving using the discounted forecast cash flow model.

The recoverable amounts of the property, plant and equipment could change significantly as a result of changes in the assumptions used in determining the fair value less costs to sell and value in use. The key assumptions used based on depreciated replacement cost approach are those regarding (i) price indices to estimate the replacement cost of like assets, (ii) useful lives of the property, plant and equipment and (iii) the asset utilisation factor to arrive at the depreciable replacement cost to reflect the appropriate physical deterioration, functional and economic obsolescence of the Group's property, plant and equipment. The key assumptions used based on value-in-use approach include estimates of future sales volumes, estimated selling prices and operating costs, estimated input and output ratio and the weighted average cost of capital (discount rate).

The above estimates are particularly sensitive in the following areas:

1) By keeping other variables constant, a decrease/increase of useful lives of Zhejiang Huagang and New Huawei's property, plant and equipment by one year would have increased/decreased the impairment loss by RMB 3.0 million or RMB 3.4 million respectively; or

4 Significant accounting estimates and judgements (Cont'd)

4.2 Key sources of estimation uncertainty (Cont'd)

Impairment loss recognised on property, plant and equipment (Note 5) (Cont'd)

2) By keeping other variables constant, a 0.1% decrease/increase to the asset utilisation factor of Zhejiang Huagang and New Huawei would have increased/decreased the impairment loss by RMB 85,000 or RMB 86,000 respectively; or

3) By keeping other variables constant, a 1% decrease/increase to the weighted average cost of capital of Huaxiang China would have decreased/increased the impairment loss by RMB 44.6 million or RMB 42.3 million respectively; or

4) By keeping other variables constant, a 1% decrease/increase to the selling price of finished goods sold by Huaxiang China would have increased/decreased the impairment loss by RMB 136.3 million or RMB 118.9 million respectively; or

5) By keeping other variables constant, a 1% decrease/increase to the raw materials operating cost of Huaxiang China would have decreased/increased the impairment loss by RMB 93.8 million or RMB 105.1 million respectively.

The carrying amount as at 31 December 2017 is disclosed in Note 5 to the financial statements.

Impairment of trade and other receivables (Note 11)
Impairment of trade and other receivables are based on an assessment of the recoverability of trade and other receivables. Impairment is applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment requires the use of judgement and estimates. Where the expected outcome is different from the original estimate, such difference will impact carrying value of trade and other receivables and impairment loss in the period in which such estimate has been changed.

The carrying amount of the Group's trade and other receivables at the end of each reporting period is disclosed in Note 11 to the financial statements. If the present value of estimated future cash flows on loans and receivables decrease by 5% from management's estimates, the Group's allowance for impairment will increase by RMB 5.5 million (2016 - RMB 6.4 million).

Income taxes (Note 24)
The Group has exposure to income taxes in the PRC. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

The PRC subsidiaries make tax submissions to the local tax authorities in accordance with interpretations and local practices. Management has assessed and concluded that all tax submissions are appropriate and except for the outstanding payments so determined, there are no further tax and related liabilities.

As at 31 December 2017, the Group did not recognise deferred tax assets in relation to unutilised tax losses and temporary differences arising from deductible expenses due to uncertainty over which future taxable profit will be available against which the Group can utilise such benefit.

5 Property, plant and equipment

The Group	Production and office buildings RMB'000	Plant and machinery RMB'000	Office equipment and furniture RMB'000	Motor vehicles RMB'000	Renovation RMB'000	Construction work-in-progress RMB'000	Total RMB'000
Cost							
At 1 January 2016, as reported previously	738,368	1,780,839	4,939	11,979	837	63,921	2,600,883
Prior year adjustment (Note 31)	–	(21,041)	–	–	–	–	(21,041)
At 1 January 2016, as restated	738,368	1,759,798	4,939	11,979	837	63,921	2,579,842
Additions	–	2,393	422	38	–	66,117	68,970
Transfers	5,951	124,087	–	–	–	(130,038)	–
At 31 December 2016, as restated	744,319	1,886,278	5,361	12,017	837	–	2,648,812
Additions	**–**	**17**	**66**	**10**	**–**	**7,109**	**7,202**
Transfers	**5,883**	**–**	**–**	**–**	**–**	**(5,883)**	**–**
Reclassification	**8,350**	**(8,758)**	**408**	**–**	**–**	**–**	**–**
Disposals	**–**	**(96,446)**	**(10)**	**(191)**	**–**	**–**	**(96,647)**
At 31 December 2017	**758,552**	**1,781,091**	**5,825**	**11,836**	**837**	**1,226**	**2,559,367**
Accumulated depreciation and impairment losses							
At 1 January 2016, as reported previously	236,072	805,791	2,569	8,077	421	17,677	1,070,607
Prior year adjustment (Note 31)	–	(21,041)	–	–	–	–	(21,041)
At 1 January 2016, as restated	236,072	784,750	2,569	8,077	421	17,677	1,049,566
Depreciation charge for the year	27,117	108,927	861	1,508	44	–	138,457
Transfers	–	17,677	–	–	–	(17,677)	–
Impairment loss for the year	–	111,731	92	–	187	–	112,010
At 31 December 2016, as restated	263,189	1,023,085	3,522	9,585	652	–	1,300,033
Depreciation charge for the year	**31,503**	**125,425**	**898**	**1,284**	**32**	**–**	**159,142**
Disposals for the year	**–**	**(92,172)**	**–**	**(154)**	**–**	**–**	**(92,326)**
At 31 December 2017	**294,692**	**1,056,338**	**4,420**	**10,715**	**684**	**–**	**1,366,849**
Net carrying amount							
At 31 December 2017	**463,860**	**724,753**	**1,405**	**1,121**	**153**	**1,226**	**1,192,518**
At 31 December 2016, as restated	481,130	863,193	1,839	2,432	185	–	1,348,779
At 1 January 2016, as restated	502,296	975,048	2,370	3,902	416	46,244	1,530,276

for the financial year ended 31 December 2017

5 Property, plant and equipment (Cont'd)

(a) Assets pledged as security

As at 31 December 2017, certain of the Group's production and office buildings and plant and machinery are pledged as security for the Group's bank loans, bills payable to banks and Zhejiang Materials as disclosed below:

Carrying amount of assets pledged as security	Bank loans and bills payable to bank (Notes 16 & 17)		Mortgaged to Zhejiang Materials (Note 19)		Total	
	2017	2016	**2017**	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Production and office buildings	**438,677**	72,570	**–**	–	**438,677**	72,570
Plant and machinery	**115,843**	424,413	**60,118**	104,964	**175,961**	529,377
	554,520	496,983	**60,118**	104,964	**614,638**	601,947

(b) Depreciation expense

Depreciation expense is recognised in the consolidated statement of comprehensive income as follows:

The Group	**2017 RMB'000**	2016 RMB'000
Depreciation expense charged to:-		
- Cost of sales	**129,847**	108,883
- Administration expenses	**29,295**	29,574
	159,142	138,457

(c) Fully depreciated assets

As at 31 December 2017, the Group's fully depreciated assets that are still in use mainly relate to production and office building, plant and equipment, office equipment and furniture and motor vehicles. Both the cost (gross) and accumulated depreciation amounts were approximately RMB 38.2 million (2016 - RMB 38.2 million), RMB 100.6 million (2016 - RMB 19.2 million), RMB 2.1 million (2016 - RMB 2.0 million) and RMB 7.0 million (2016 – RMB 4.8 million) respectively.

(d) Idle assets

As at 31 December 2017, the Group's temporarily idle assets relate mainly to Zhejiang Huagang Polyester Industrial Co., Ltd. ("Zhejiang Huagang")'s and New Huawei Fibre Dyeing Co., Ltd.("New Huawei")'s plant and equipment with aggregate carrying amount of approximately RMB 28.0 million (2016 - RMB 28.1 million).

(e) Assets leased out under operating leases

As at 31 December 2017, the carrying amount of plant and machinery leased out to third parties under operating lease arrangements amounted to RMB 6.0 million (2016 - RMB 82.0 million). The Group recorded operating lease income amounting to RMB 1.3 million for the current financial year (2016 - RMB 3.0 million).

5 Property, plant and equipment (Cont'd)

(f) Impairment losses

The Group continues to incur substantial operational loss since its resumption of trading of the Company's shares on 18 September 2013. Pursuant to the implementation of Framework Supply Chain Cooperation Agreement with Zhejiang Materials since December 2016, Huaxiang China's daily production volume for its spinning and polymerization plant has stabilised to a designated capacity level. The production facilities located at the Group's other production facilities in Zhejiang Huagang and New Huawei remain shut since FY2014 and the facilities are partially leased out to third parties. Management has recorded cumulative impairment losses on the Group's property, plant and equipment amounting to approximately RMB 803.7 million as at 31 December 2017. Management carried out a review of the recoverable amounts of the production and office building and plant and equipment of the respective CGU based on either their fair values less costs to sell or value-in-use as at 31 December 2017. No further impairment loss (2016 - RMB 112.0 million) or reversal of prior years' impairment losses were recognised in the consolidated statement of comprehensive income. The respective recoverable amounts were determined based on the valuation reports produced by Jones Lang LaSalle Corporate Appraisal & Advisory Limited ("Jones Lang"), an independent firm of professional valuers, who have the appropriate recognised professional qualification and recent experience in the location and category of property, plant and equipment being valued. The fair values were primarily determined based on fair value measurement category within Level 3.

6 Investment property – Construction work-in-progress

The Group	**2017 RMB'000**	2016 RMB'000
At 1 January	**156,780**	154,060
Additions	**2,265**	2,720
At 31 December	**159,045**	156,780

(a) The details of the investment property - Construction work-in-progress, held by a wholly-owned subsidiary, are as follows:

Location	Description	Construction Gross Floor Area (Sq. metres)	Tenure
Blk 18, No. 789 Yi Shan Road, Wuxing District, Huzhou City, Zhejiang Province, China	26-storey commercial and office building with two basement floors	46,993.33	40 years lease, commencing from 10 June 2010

(b) Investment property - Construction work-in-progress is recorded at cost as at 31 December 2017. Management has not obtained the Construction Project Completion Acceptance Record Certificate （建设工程竣工验收备案证明）from relevant Issuing Government Ministries and accordingly, the investment property is not ready for its intended use and accordingly, no depreciation was recognised in the consolidated statement of comprehensive income.

(c) The land use right of the investment property commenced on 10 June 2010 and expires on 9 June 2050, for a term of 40 years. The unexpired lease term of the land use right as at 31 December 2017 was 32 years.

(d) On 7 April 2016, the Group received a Letter of Intent from the People's Government of Huzhou City that the latter 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. As the construction of the investment property was not completed as at the balance sheet date, Jones Lang has accordingly approximated the estimated fair value less costs of disposal to be RMB 176.8 million as at 31 December 2017 (2016 – RMB 176.8 million).

7 Land use rights prepayments

The Group	**2017** **RMB'000**	2016 RMB'000
Cost		
At 31 December	**176,477**	176,477
Accumulated amortisation		
At 1 January	**24,331**	20,685
Amortisation charge for the year	**3,646**	3,646
At 31 December	**27,977**	24,331
Net carrying amount		
At 31 December	**148,500**	152,146
Non-current	**144,854**	148,500
Current	**3,646**	3,646
	148,500	152,146

The land use rights prepayments relate to the following parcels of land:

Location	Land area	Cost RMB'000	Tenure
湖州市八里店镇西环吴兴大道南侧	454,760 square metres	144,373	50 years (commenced on 16 July 2010 and expiring on 29 September 2060)
湖州市吴兴大道北经六路西(八里店分区BLD28-3C)	9,949 square metres	18,549	40 years (commenced on 10 June 2010 and expiring on 9 June 2050)
吴兴区八里店镇升山村318国道北侧	33,305 square metres	4,555	50 years (commenced on 21 February 2004 and expiring on 10 February 2054)
吴兴区八里店镇升山村（织西分区ZX75-1号地块）	34,063 square metres	9,000	50 years (commenced on 3 December 2008 and expiring on 2 December 2058)
		176,477	

As at 31 December 2017, the Group has land use rights over four plots of state-owned land in the PRC where the Group's PRC manufacturing and storage facilities reside. The land use rights have remaining tenures ranging from 32 to 42 years (2016 - 33 to 43 years).

Assets pledged as security

As at 31 December 2017, the Group's land use right with a carrying amount of approximately RMB 148.5 million (2016 – RMB 152.1 million) were pledged as security for the Group's bank loans and bills payables to financial institutions, as disclosed in Note 16 to the financial statements.

8 Prepayments

The Group	2017 RMB'000	2016 RMB'000
Non-current		
Prepayment for future land use (Note A)	**55,988**	55,988
Prepayments relating to land preparation costs (Note B)	**67,647**	69,314
	123,635	125,302
Current		
Prepaid rental	**4,554**	12,000

Note A: Prepayment for future land use

Included in prepayment is an amount of RMB 56.0 million (2016 - RMB 56.0 million) prepaid for a plot of state owned land in the PRC, where no formal contract or agreement was signed with the relevant local authorities and no land title has been obtained. The prepayment was made in connection with the second phase of the expansion plan to construct a new integrated facility for the Polyester Direct Spinning production lines and an office building. The lease amortisation will commence upon the receipt of the land title.

Note B: Prepayments relating to land preparation costs

The Group	2017 RMB'000	2016 RMB'000
Cost		
At 1 January and 31 December	**84,580**	84,580
Accumulated amortisation		
At 1 January	**15,266**	13,601
Amortisation charge for the year	**1,667**	1,665
At 31 December	**16,933**	15,266
Net carrying amount	**67,647**	69,314

Land preparation costs relate to cost of relocation of the farmers, land tiling and pavement of roads and other infrastructure works. The land preparation cost is amortised in the consolidated statement of comprehensive income on a straight line over the land lease term of 50 years.

9 Investment in subsidiaries

The Company	2017 RMB'000	2016 RMB'000
Unquoted equity investment, at cost	**1,089,421**	1,089,421
Less: Accumulated impairment losses	**(1,089,421)**	(1,089,421)
Unquoted equity investment, net	**–**	–
Amount due from a subsidiary (non-trade)	**930,390**	930,390
Less: Accumulated impairment losses	**(930,390)**	(930,390)
	–	–

The non-trade amount due from a subsidiary amounting to RMB 930.4 million (2016 - RMB 930.4 million) represents an extension of the Company's net investment in a subsidiary. The amount is unsecured and interest-free, and settlement is neither planned nor likely to occur in the foreseeable future. As the amount is, in substance, a part of the Company's net investment in the subsidiary, it is considered to be part of the cost of investment and is stated at cost, less impairment losses.

9 Investment in subsidiaries (Cont'd)

As at 31 December 2017, management performed a re-assessment and concluded that impairment indicators continue to exist and accordingly, no reversal of the impairment losses on the investment in subsidiaries was made. The recoverable amounts of the relevant investments in subsidiaries, including the net investments via quasi-equity loans, had been determined based on their respective fair value less costs of disposal. The fair value was primarily determined based on fair value measurement category within Level 3.

Details of the subsidiaries are:

Name of subsidiary	Country of incorporation/ Principal place of business	Principal activities	Effective equity interest held by the Group		Cost of Investment	
			2017	2016	**2017**	2016
			%	%	**RMB'000**	RMB'000
Held by the Company						
Zhejiang Huagang Polyester Industrial Co., Ltd ("Zhejiang Huagang")^	PRC	Production and sales of various specifications of premium differentiated fine polyester yarn, warp knit fabric and chemical fibre materials. Production ceased in June 2014.	**100**	100	**682,406**	682,406
Huaxiang China Gaoxian International Holdings Limited ("Huaxiang Hong Kong") ^	Hong Kong	Investment holding company	**100**	100	**407,015**	407,015
					1,089,421	1,089,421
Held by Huaxiang Hong Kong						
Huaxiang (China) Premium Fibre Co., Ltd. ("Huaxiang China")^	PRC	Production and sale of premium differentiated fine polyester yarn and polyester chips	**100**	100		
Held by Zhejiang Huagang						
Fujian New Huawei Fibre Dyeing Co., Ltd ("New Huawei") ^	PRC	Production and sale of premium differentiated fine polyester yarn and polyester chips. Production ceased in June 2014.	**–***	100		
Changle Bole Trading Co., Ltd. ("Bole") ^	PRC	Trading of textile related products, construction material, textile machine and related parts; import and export all kind of products	**100**	100		
Changle Guangda Trading Co., Ltd. ("Guangda") ^	PRC	Trading of textile related products, construction material, textile machine and related parts; import and export all kind of products	**100**	100		
Held by Huaxiang China						
Huzhou Huaxiang Property Co., Ltd. ("Huaxiang Property") ^	PRC	Real estate development and property management	**100**	100		
Fujian New Huawei Fibre Dyeing Co., Ltd ("New Huawei") ^	PRC	Production and sale of premium differentiated fine polyester yarn and polyester chips. Production ceased in June 2014.	**100**	–*		

^ - Audited by Foo Kon Tan LLP for consolidation purposes

* - In 2017, as part of management's rationalisation process, an internal restructuring exercise was conducted to transfer the investment in New Huawei from Zhejiang Huagang to Huaxiang China, at a consideration of share capital of the New Huawei.

10 Inventories

The Group	2017 RMB'000	2016 RMB'000
Raw materials (at cost)	**10,361**	8,564
Work-in-progress (at cost)	**7,054**	4,379
Finished goods (at cost)	**860**	5,986
	18,275	18,929

11 Trade and other receivables

The Group	2017 RMB'000	2016 RMB'000
Trade receivables	**67,493**	61,415
Impairment losses	**(356)**	(30,350)
Net trade receivables	**67,137**	31,065
Deposits (Note A)	**28,558**	37,881
Advances to staff	**9,668**	3,438
Other receivables from a third party for non-performing loans (Note B)	**11,647**	11,647
Impairment losses	**(11,647)**	(1,579)
Other receivables from a third party for non-performing loans, net	**–**	10,068
Working capital loans extended to lessees under operating leases (Note C)	**1,700**	8,950
Amount due from a third party (non–trade) (Note D)	**–**	34,700
Rental and other receivables	**5,055**	2,030
Bills receivables	**861**	50
Loans and receivables at amortised cost	**112,979**	128,182
Advances to suppliers	**7,478**	4,316
Input VAT receivables	**105,361**	151,109
Total trade and other receivables	**225,818**	283,607

Note A:

Included in deposits as at 31 December 2017 was an amount of RMB 20.0 million (2016 – RMB 30 million) paid to Zhejiang Materials pursuant to the Framework Supply Chain Cooperation Agreement.

Note B:

In FY 2014, the Group acquired a non-performing loan of a third party amounting to RMB 80.7 million from China Citi Bank via China Huarong Assets Management Co., Ltd ("China Huarong"), a state-owned financial asset management company. The amount was secured by certain equity shares in a commercial bank and a commercial unit (collectively known as the "pledged assets"). The Group received partial payment of RMB 69.1 million in FY2015 and the outstanding amount of RMB 11.6 million remained outstanding. As at 31 December 2017, the Group still has an outstanding receivable due from China Huarong amounting to RMB 10.1 million (2016 – RMB 10.1 million), net of an impairment loss of RMB 1.6 million recognised in FY 2016. On 9 November 2017, Fuzhou Intermediate People's Court ruled against the Group and decided that the Group do not have the first rights over the remaining undistributed proceeds of RMB 10.1 million amongst the other 13 creditors including the Group. On this basis, management recognised a full impairment on the remaining RMB 10.1 million receivable in the consolidated statement of comprehensive income.

11 Trade and other receivables (Cont'd)

Note C:
As part of the operating lease agreement previously entered with the lessees as mentioned under Note 5(e), the Group has extended interest free working capital loans to assist the lessees to finance their operations. As at 31 December 2017, the outstanding working capital loan was due from the previous lessee of Zhejiang Huagang.

Note D:
The non-trade advances extended to a third party in FY2016 were unsecured, interest-free and repayable on demand. This amount has been fully recovered in current financial year.

Financial assets that are neither past due nor impaired

Loans and receivables that are neither past due nor impaired are creditworthy debtors with a good payment record with the Group.

Financial assets that are not impaired

The ageing of loans and receivables that were not impaired at the reporting date was:

The Group	**2017 RMB'000**	2016 RMB'000
No credit terms*	**44,142**	88,167
Not past due	**67,137**	19,045
Past due but not impaired:		
- Not more than 6 months	**1,700**	12,544
- More than 6 months and not more than 12 months	–	8,398
- More than 12 months	–	28
	112,979	128,182

*- Comprised mainly (i) deposits, (ii) a financial asset disclosed in Note B, (iii) non-trade amounts due from third parties disclosed in Note D and (iv) advances to staff and other receivables.

The ageing of loans and receivables that were past due and impaired at the reporting date was:

The Group	**2017 RMB'000**	2016 RMB'000
No credit terms	**11,647**	1,579
Past due and impaired:		
- More than 12 months	**356**	30,350
	12,003	31,929

The change in impairment losses in respect of loans and receivables during the year is as follows:

The Group	**2017 RMB'000**	2016 RMB'000
At 1 January	**31,929**	2,701
Impairment loss recognised (Note 22)	**10,068**	29,228
Reversal of allowance for impairment for the year (Note 22)	**(29,994)**	–
At 31 December	**12,003**	31,929

Trade receivables are non-interest bearing and are normally settled on 15 and 180 days (2016 - 90 days) credit terms. They are recognised at their original invoiced amounts which represent their fair values on initial recognition. The Group's historical experience in the collection of trade receivables fall within the recorded allowances. As a result, management believes no additional credit risk beyond the amounts provided for, is inherent in the Group's trade receivables.

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for the financial year ended 31 December 2017

12 Bank deposits pledged

Bank deposits pledged as security for the Group's bills payables facilities, import bill advance facilities and fixed deposits as disclosed below:

The Group	**2017 RMB'000**	2016 RMB'000
Bills payables facilities (Note 17)	**17,597**	44,001
Import bill advance facilities	**–**	9,409
Fixed deposits	**170**	65,520
	17,767	118,930

The weighted average effective interest rate on bank deposits pledged, with a maturity of 90 days and 180 days, was 1.1% (2016 - 1.13% per annum) for the financial year ended 31 December 2017.

13 Cash and short term deposits

Cash and short term deposits consist of cash on hand, cash at banks and unpledged bank deposits. Cash and cash equivalents included in the consolidated statements of cash flows comprise the following balance sheet amounts:

	The Group		**The Company**	
	2017 RMB'000	2016 RMB'000	**2017 RMB'000**	2016 RMB'000
Cash on hand	**129**	484	**–**	–
Cash at banks	**33,602**	120,910	**18**	38
Cash and bank balances	**33,731**	121,394	**18**	38
Less: Bank deposits pledged (Note 12)	**(17,767)**	(118,930)	**–**	–
Cash and short term deposits	**15,964**	2,464	**18**	38

Cash and bank balances have an effective interest rate of 0.30% to 0.35% per annum (2016 - 0.30% to 0.42% per annum) for the financial year ended 31 December 2017.

14 Share capital

	2017		2016	
The Company	**No. of shares issued '000**	**RMB'000**	No. of shares issued '000	RMB'000
Issued and fully paid ordinary shares				
At 1 January and at 31 December	**113,750**	**2,190,580**	113,750	2,190,580

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regards to the Company's residual assets. The ordinary shares have no par value.

15 Other reserves

	The Group			The Company	
	2017	2016	2015	**2017**	2016
	RMB'000	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)	(Restated)		
Merger reserve	**(369,563)**	(369,563)	(369,563)	**–**	–
Warrant reserve	**13,840**	13,840	13,840	**13,840**	13,840
Accumulated losses	**(2,264,696)**	(2,149,671)	(1,774,581)	**(2,298,544)**	(2,295,404)
	(2,620,419)	(2,505,394)	(2,130,304)	**(2,284,704)**	(2,281,564)

(a) **Merger reserve**
This represents the difference between the consideration paid and the paid-in capital of the subsidiaries when business combination of entities under common control was accounted for by applying the pooling of interest method.

(b) **Warrant reserve**
Warrant reserve relates to the fair value ascribed to warrants issued, net of issue expenses. As and when the warrants are exercised, the related balance in the warrant reserve is transferred to the share capital account. Each warrant carries the right to subscribe for one new ordinary share in the capital of the Company at an exercise price of S$2.00. The warrants will expire on 18 September 2018. On the expiry of the warrants, the balance in the warrant reserve will be transferred to retained earnings.

16 Borrowings

The Group	**2017 RMB'000**	2016 RMB'000
Short-term secured loans from banks:		
Industrial and Commercial Bank of China[1]	**109,950**	112,178
China CITIC Bank[2]	**318,830**	519,000
Shanghai Pudong Development bank[3]	**76,000**	–
China Minsheng Bank[4]	**43,000**	45,000
China Everbright Bank[5]	**98,000**	98,000
Hu Zhou Wuxing Rural cooperative[6]	**25,000**	25,000
Chouzhou Commercial Bank[7]	**20,000**	20,000
Syndicated bank loans[10]	**15,200**	405,000
	705,980	1,224,178
Other short-term secured loans[8]	**433,100**	469,750
Total short-term financial liabilities	**1,139,080**	1,693,928
Long-term secured loans from banks:		
China CITIC Bank[9]	**224,000**	–
Syndicated bank loans[10,#]	**299,000**	–
Total long-term financial liabilities	**523,000**	–
Total borrowings	**1,662,080**	1,693,928
Breakdown of syndicated bank loans[10]:		
Shanghai Pudong Development Bank[10]	**–**	78,000
China Construction Bank[10]	**238,200**	249,000
Bank Of China[10]	**76,000**	78,000
	314,200	405,000

#: During the financial year, the Group entered into a supplement agreement on the original syndicated loan agreement to refinance its existing syndicated bank loans to be repaid by 30 November 2019. Management considered this as a modification and has assessed the impact to be immaterial.

16 Borrowings (Cont'd)

[1] As at 31 December 2017, these twelve (2016 - eighteen) secured short-term bank loans bear interest at a rate of 5.0% (2016 - 4.35% to 5.0%) per annum and are secured against third parties' land use rights and certain property, plant and equipment (Note 5), land use rights (Note 7) and a pledged deposit of RMB 8.92 million (Note 12), corporate guarantees from the Company's subsidiaries, Zhejiang Huagang Polyester Industrial Co., Ltd and Huaxiang (China) Premium Fibre Co., Ltd and two third parties, and a personal guarantee from a shareholder.

[2] As at 31 December 2017, these five (2016 - nineteen) secured short-term bank loans bear interest at a rate of 4.35% to 5.4% (2016 - 5.22% to 6.15%) per annum and are secured against certain property, plant and equipment (Note 5), corporate guarantees from the Company's subsidiaries, Zhejiang Huagang Polyester Industrial Co., Ltd. and Huaxiang (China) Premium Fibre Co., Ltd. and a personal guarantee from a shareholder.

[3] As at 31 December 2017, these three secured short term bank loans bear interest at a rate of 4.57% per annum and are secured against a personal guarantee from a shareholder and corporate guarantees from the Company's subsidiaries, Zhejiang Huagang Polyester Industrial Co., Ltd and Huaxiang (China) Premium Fibre Co., Ltd and against certain property, plant and equipment (Note 5) and land use rights (Note 7).

[4] As at 31 December 2017, these three (2016 - four) secured short-term bank loans bear interest at a rate of 5.9% (2016 - 6.0%) per annum and are secured by corporate guarantee from the Company's subsidiary, Zhejiang Huagang Polyester Industrial Co., Ltd. and a personal guarantee from a shareholder.

[5] As at 31 December 2017, these five (2016 - three) secured short-term bank loans bear interest at a rate of 6.80% (2016 – 7.20%) per annum and are secured by corporate guarantees from the Company's subsidiaries, Zhejiang Huagang Polyester Industrial Co., Ltd and Huaxiang (China) Premium Fibre Co., Ltd and a personal guarantee from a shareholder.

[6] As at 31 December 2017, these four (2016 - four) secured short-term bank loans bear interest at a rate of 6.09% to 7.40% (2016 - 6.09% to 7.40%) per annum and are secured against certain property, plant and equipment (Note 5).

[7] As at 31 December 2017, these one (2016 - one) secured short-term bank loan bears interest at a rate of 6.0% (2016 – 7.0%) per annum and is secured against certain property, plant and equipment (Note 5) and a corporate guarantee from the Company's subsidiary, Huaxiang (China) Premium Fibre Co., Ltd.

[8] As at 31 December 2017, the other short-term secured loans bear interest at a rate of 1.00% to 2.00% (2016 - 1.00% to 2.50%) per month and are secured by a personal guarantee from a shareholder.

[9] As at 31 December 2017, these two secured long-term bank loans bear interest at a rate of 4.8% per annum and were secured by corporate guarantees from the Company's subsidiaries, Zhejiang Huagang Polyester Industrial Co., Ltd. and Huaxiang (China) Premium Fibre Co., Ltd. and a personal guarantee from a shareholder.

[10] As at 31 December 2017, these one (2016 - one) secured syndicated bank loans were drawndown to finance the construction and operation of new Huaxiang Project bear interest at a rate of 4.99% to 5.15% (2016 - 4.99% to 6.30%) per annum and are secured against certain property, plant and equipment (Note 5), land use rights (Note 7), and a personal guarantee from a shareholder.

17 Trade and other payables

	The Group			The Company	
	2017	2016	2015	**2017**	2016
	RMB'000	RMB'000 (Restated)	RMB'000 (Restated)	**RMB'000**	RMB'000
Trade payables	**105,005**	120,772	85,538	**–**	–
Other payables (Note A)	**281,498**	333,616	96,432	**–**	–
Bills payables to financial institutions (Note B)	**17,596**	130,600	487,455	**–**	–
Payables for the acquisition of property, plant and equipment	**61,867**	91,909	63,290	**–**	–
Amount due to a shareholder (non-trade)	**5,000**	5,000	–	**–**	–
Amounts due to subsidiaries (non-trade)	**–**	–	–	**65,566**	61,582
Financial liabilities carried at amortised cost	**470,966**	681,897	732,715	**65,566**	61,582
Other operating tax payable	**–**	–	2,890	**–**	–
Total trade and other payables	**470,966**	681,897	735,605	**65,566**	61,582

Trade payables are non-interest bearing and are normally settled on 30 to 60 days' terms and are denominated in RMB.

The non-trade amounts due to a shareholder and subsidiaries are unsecured, interest-free and repayable on demand.

Note A: Other payables

The Group	**2017**	2016	2015
	RMB'000	RMB'000 (Restated)	RMB'000 (Restated)
Advances from government-linked entities (non-trade)	**255,163**	255,163	89,200
Advances from third parties (non-trade)*	**26,335**	78,453	3,497
Others	**–**	–	3,735
	281,498	333,616	96,432

The non-trade advances from third parties and government-linked entities are interest-free, unsecured and repayable on demand.

*: As at 31 December 2016, the advances from third parties comprised an amount of RMB 50.0 million due to a lessor of a subsidiary. This amount has been fully settled during the current financial year.

Note B: Bills payables to financial institutions

As at 31 December 2017, bills payables to banks are secured by short term deposits, and certain production and office building of the Group as disclosed below:

The Group	**2017**	2016
	RMB'000	RMB'000
Bank deposits pledged	**17,597**	109,521
Carrying amount of property, plant and equipment (Note 5(a))	**–**	235,963

Bills payables to financial institutions have an effective interest rate of 0.65% per annum (2016 - 2.32% per annum) for the financial year ended 31 December 2017.

18 Other liabilities

	The Group		The Company	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Advances from customers	**383**	2,066	**–**	–
Accrued interest	**147,324**	107,826	**–**	–
Accrued guarantee and consultancy fees payable to a shareholder	**25,233**	25,233	**25,233**	25,233
Accrued remuneration and related cost	**20,439**	12,967	**500**	501
Other accrued expenses	**9,490**	9,834	**2,843**	3,706
	202,869	157,926	**28,576**	29,440

Other accrued expenses mainly comprise of accrued operating expenses and accrued professional fees.

19 Revenue

	2017	2016
The Group	**RMB'000**	RMB'000
- Sale of goods	**2,344,497**	1,160,827
- Profit sharing from Cooperation Agreement*	**169,700**	12,915
	2,514,197	1,173,742

* The Group is entitled to 70% of the net profit or loss from the sale of finished goods by Zhejiang Materials to its end customers after deducting certain related costs.

20 Other income

	2017	2016
The Group	**RMB'000**	RMB'000
Other income		
- Sale of scrap materials	**10,628**	5,437
- Net trading income	**4,766**	–
- Government grant	**817**	3,426
- Operating lease income	**2,775**	3,254
- Others	**68**	5
	19,054	12,122

21 Finance income/(expense)

	2017	2016
The Group	**RMB'000**	RMB'000
Interest income from:		
- cash and cash equivalents	**2,773**	2,491
Interest expense on:		
- bank loans, bill payables and other secured loans	**(120,773)**	(140,873)

22 Loss before tax

The Group	Note	2017 RMB'000	2016 RMB'000
Loss before income tax is arrived at after charging/ (crediting):			
Allowance for impairment of trade and other receivables	11	**10,068**	29,228
Amortisation of land use rights	7	**3,646**	3,646
Amortisation of land preparation costs	8	**1,667**	1,665
Depreciation of property, plant and equipment	5	**159,142**	138,457
Employee compensation*	23	**81,805**	56,701
Foreign exchange loss, net		**75**	75
Guarantee fee and consultancy fee paid/payable to a shareholder		**–^**	–^
Impairment loss on property, plant and equipment (included in general and administrative expenses)	5	**–**	112,010
Inventories recognised as an expense in cost of sales		**1,977,254**	883,579
Loss on disposal of property, plant and equipment		**1,699**	–
Operating lease expenses		**12,000**	12,000
Reversal of impairment loss	11	**(29,994)**	–

* Includes remuneration of key management personnel and directors as disclosed in Note 23 to the financial statements.

^ The major shareholder agreed to waive the guarantee fee and consultancy fee for the financial year ended 31 December 2017 and 2016.

23 Employee compensation

The Group	2017 RMB'000	2016 RMB'000
Directors' fees – directors of the Company	**412**	370
Salaries, wages and bonuses and related costs	**72,481**	49,421
Employer's contribution to defined contribution plans	**8,912**	6,910
	81,805	56,701
Comprising the following:-		
Directors' fees – directors of the Company	**412**	370
Directors' remuneration other than fee:		
- Directors of the Company	**356**	1,013
- Employer's contribution to defined contribution plans	**15**	15
	371	1,028
Key management personnel (other than directors):		
- Salaries, wages, bonus and other related costs	**387**	372
- Employer's contribution to defined contribution plans	**8**	7
	395	379
Other than directors and key management personnel:		
- Salaries, wages, bonus and other related costs	**71,738**	48,036
- Employer's contribution to defined contribution plans	**8,889**	6,888
	80,627	54,924
	81,805	56,701

The remuneration of key management personnel is determined by the board of directors having regards to the performance of individuals and market trends.

24 Income tax expense

Major components of income tax expense

The major components of income tax expense for the year ended 31 December 2017 and 31 December 2016 are:

The Group	**2017 RMB'000**	2016 RMB'000
Current income tax		
- Current year income tax expense	–	–
Income tax expense recognised in the consolidated statement of comprehensive income	–	–

Relationship between tax expense and loss before tax

A reconciliation between tax expense and the product of loss before tax multiplied by the applicable tax rate for the financial years ended 31 December 2017 and 31 December 2016 is as follows:

The Group	**2017 RMB'000**	2016 RMB'000
Loss before tax	**(115,025)**	(375,090)
Tax at applicable statutory tax rates	**(27,928)**	(93,530)
Effects of:		
- Income not subject to tax	**(7,498)**	–
- Expenses not deductible for tax purposes	**22,842**	48,776
- Deferred tax assets not recognised	**12,584**	44,754
Income tax expense recognised in the consolidated statement of comprehensive income	–	–

Income not subject to tax mainly include the reversal of impairment loss during the financial year.

Expenses not deductible for tax purposes mainly include the interest expenses for the loans from non-financial institutions, impairment loss on property, plant and equipment, impairment loss on trade and other receivables, excess entertainment expenses & staff welfare for PRC subsidiaries and penalties etc.

China Gaoxian Fibre Fabric Holdings Ltd. (the "Company") and Huaxiang Hong Kong are subjected to tax rate of 17% and 16.5% for the year of assessment 2018 (YA2017 - 17% and 16.5%) respectively. No provision for Singapore and Hong Kong profits tax have been made as the Group did not have assessable profits subject to Singapore and Hong Kong profits tax.

On 16 March 2007, the National People's Congress of China enacted the Enterprise Income Tax Law of the PRC which took effect on 1 January 2008 (the "New EIT Law"). In accordance with the New EIT Law, a unified Enterprise Income Tax rate of 25% and unified tax deduction standards will be applied equally to both domestic invested enterprises and wholly foreign-owned enterprises in the PRC. Accordingly, the subsidiaries in the PRC are subjected to the applicable EIT rate of 25%.

Zhejiang Huagang, New Huawei, Huaxiang China, Huaxiang Property, Bole and Guangda are subjected to tax rate of 25% for the financial year ended 31 December 2017 (2016 - 25%).

Unrecognised tax losses
At the end of the reporting period, the Group has tax losses of approximately RMB 623.4 million (2016 - RMB 573.0 million) that is available for offset against future taxable profit of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of respective countries in which the companies operate.

25 Loss per share

Basic and diluted loss per share is calculated by dividing the Group's consolidated loss attributable to equity holders of the Company divided by the weighted average number of ordinary shares in issue of 113,750,000 shares (2016 – 113,750,000 shares) during the financial year. The denominators used are the same in the computation of the basic and diluted loss per share.

The following table reflects loss and share data used in the computation of basic and diluted loss per share for the years ended 31 December:

The Group	**2017 RMB'000**	2016 RMB'000
Loss for the year attributable to owners of the parent (RMB'000)	**(115,025)**	(375,090)
Weighted average number of ordinary shares ('000)	**113,750**	113,750
Loss per share (RMB)		
- Basic and diluted	**(1.01)**	(3.30)

Diluted loss per share is similar to basic loss per share as there were no potential dilutive ordinary shares existed during the year.

26 Segment information

Reporting format
For management purposes, the Group is organised into business segments as the Group's risks and rates of return are affected predominantly by differences in the products produced. The operating businesses are organised and managed separately according to the nature of the products produced, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group's business is organised into six business segments, namely:

(i) Fully Drawn Yarn ("FDY")
Fully Drawn Yarn is a melt-spun continuous filament yarn which has been highly oriented, either by drawing at a high draw ratio or by spinning at a high wind-up speed such that there is little residual drawability.

(ii) Drawn Textured Yarn ("DTY")
Drawn Textured Yarn is a type of yarn produced using the draw texturing method to create a unique texture on the yarn.

(iii) Blended Yarn ("BY")
Blended Yarn is a composite yarn made from two or more constituent materials.

(iv) Partially Oriented Yarn ("POY")
Partially Oriented Yarn is produced from the melting and extrusion (melt spinning) of the polyester chip or flake.

(v) Polyethylene Terephthalate Chips ("PET Chips")
Polyethylene Terephthalate Chips is the base of any type of polymer.

(vi) Revenue generated from Framework Supply Chain Cooperation with Zhejiang Materials.

Other than the six business segments as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

26 **Segment information (Cont'd)**

Reporting format (Cont'd)

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segment's gross profit or loss. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

The following table presents revenue, results and other information regarding the Group's business segments for the financial year ended 31 December 2017 and 2016:

2017	**FDY**	**DTY**	**BY**	**POY**	**PET Chips**	**Revenue generated from Framework Supply Chain Cooperation**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
The Group							
Revenue							
Sales to external customers	**956,389**	**158,136**	**2,231**	**529,566**	**698,175**	**169,700**	**2,514,197**
Results							
Segment gross profit/(loss)	**52,852**	**10,100**	**(2,174)**	**13,091**	**5,159**	**–**	**79,028**
2016							
Revenue							
Sales to external customers	465,128	145,014	–	378,099	172,586	12,915	1,173,742
Results							
Segment gross profit/(loss)	9,472	11,338	–	(3,453)	(6,225)	–	11,132

Allocation basis

Segment gross profit/(loss) before taxation is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly finance income, other income, selling and distribution expenses, general and administrative expenses and finance expense.

The allocation of the group assets and liabilities attributable to individual segments is not presented as the information is not provided to the chief operating decision maker.

Geographical information

There is no geographical information provided as the Group's revenue and non-current assets are generated from/located in the PRC only. The non-current assets cannot be allocated to the different geographical segments as they can be used for the production of all the finished goods sold by the Group.

Information about major customers

During the financial year, one (2016 - one) of the Group's customers separately accounted for 100% (2016 – 10%) of the Group's sales, derived from sale of FDY, DTY, BY, POY, PET Chips and revenue from Framework Supply Chain Cooperation with Zhejiang Materials segments.

27 Commitments

(a) Capital commitments

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

The Group	2017 RMB'000	2016 RMB'000
Commitment in respect of:		
Purchase of plant and production machinery	**18,945**	–

(b) Operating lease commitments – *where the Group is the lessee*

In addition to the land use rights disclosed in Note 7, during the financial year, the Group renewed the operating lease agreement in respect of factory and office premises utilised by New Huawei owned by Fujian Huawei Chemical Fibre Dyeing Co., Ltd, in the PRC for another three years, commencing from 1 November 2017 to 31 October 2020, for a lease amount of approximately RMB 12 million per annum. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

Minimum lease payments, including the amortisation of land use rights and cost of preparation of land recognised as an expense in consolidated statement of comprehensive income for the financial year ended 31 December 2017 amounted to RMB 17.3 million (2016 - RMB 17.3 million). Future minimum rentals payable under non-cancellable operating leases (excluding land use rights) as at the end of the reporting period are as follows:

The Group	2017 RMB'000	2016 RMB'000
Not later than 1 year	**12,000**	10,000
Later than 1 year but not later than 5 years	**22,000**	–
	34,000	10,000

(c) Operating lease commitments - *where the Group is the lessor*

At the end of the reporting period, the Group had the following rental income under non-cancellable lease for its production factory and production machinery (Note 5(e)) with term of more than one year:

The Group	2017 RMB'000	2016 RMB'000
Not later than 1 year	**920**	1,150
Later than 1 year but not later than 5 years	**920**	1,600
Later than 5 years	**–**	–
	1,840	2,750

(d) Participation fee commitments

The Group	2017 RMB'000	2016 RMB'000
Not later than 1 year	**2,492**	2,492
Later than 1 year but not later than 5 years	**–**	–

As part of the terms and conditions stipulated in the Facility Agreement (as disclosed in Note 16) entered with certain financial institutions, the Group is required to pay annual agency fee of RMB 250,000 from FY 2014 to FY 2019 and a one-time participation fee of RMB 12.0 million in 2 equal instalments to a group of participating financial institutions led by China Construction Bank at the time of full disbursement of the 6-year syndicated loans.

28 Financial risk management objectives and policies

The Company and the Group have documented financial risk management policies. These policies set out the Company's and the Group's overall business strategies and its risk management philosophy. The Company and the Group are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks includes credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk. The Company's and the Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise adverse effects from the unpredictability of financial markets on the Company's and the Group's financial performance.

Risk management is carried out by the Finance Division under policies approved by the Board of Directors. The Finance Division identifies, evaluates and hedges financial risks in close co-operation with the Group's and the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instrument and investing excess liquidity.

There has been no change to the Group's and Company's exposure to financial risks or the manner in which it manages and measures the risks. Market risk exposures are measured using sensitivity analysis indicated below.

The Group does not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchange.

It is, and has been throughout the years under review, the Group's and Company's policy that no trading in derivative financial instruments shall be undertaken.

The Group's and the Company's principal financial instruments comprise short term bank loans, bills payable to banks, cash and short term deposits. The main purpose of these financial instruments is to provide funds for the Group's and Company's operations. The Group and Company have various other financial assets and liabilities such as trade and other receivables and trade and other payables, which arise directly from its operations.

The main risks arising from the Group's and the Company's financial instruments are interest rate risks (both fair value and cash flow), liquidity risk, foreign currency risk and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss. The Group's exposure to credit risk arises primarily from trade and other receivables. For trade receivables, the Group adopts the practice of dealing only with those customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

The Group's objective is to seek continual growth while minimising losses incurred due to increased credit risk exposure.

The Group has established a credit policy under which the creditworthiness of each new customer is evaluated individually before the Group grants credit to the customer. Credit limits are established for each customer, which represents the maximum open amount without requiring approval from the directors. Payments will be required to be made upfront by certain customers, which do not meet the Group's credit requirements.

Amounts due from customers are closely monitored and reviewed on a regular basis to identify any non-payment or delay in payment, and to understand the reasons, so that appropriate actions can be taken promptly. Through ongoing credit monitoring and existing collection procedures in place, credit risk is mitigated substantially.

The Group evaluates whether there is any objective evidence that trade and other receivables are impaired, and determines the amount of impairment loss as a result of the inability of the debtors to make required payments. The Group bases the estimates on the ageing of the receivable balances, creditworthiness of the debtors and historical write-off experience. If the financial conditions of the debtors were to deteriorate, actual write-offs would be higher than estimated.

28 Financial risk management objectives and policies (Cont'd)

Credit risk (Cont'd)

Amount not paid after the credit period granted will be considered past due. The credit terms granted to customers are based on the Group's assessment of their creditworthiness and in accordance with the Group's policy.

In determining the recoverability of trade and other receivables, the Group considers any change in the credit quality of the trade and other receivables from the date credit was initially granted up to the end of each reporting period.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group focuses on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Exposure to credit risk

At the balance sheet date, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheets as disclosed in Note 11 to the financial statements.

Credit risk concentration profile

As at 31 December 2017, two customers (2016 - two) have aggregated outstanding balances exceeded 99% (2016 - 90%) of the outstanding trade receivables net of allowance for impairment of trade receivables.

Financial assets that are neither past due nor impaired

Loans and receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 11 (Trade and other receivables).

Liquidity risk

Liquidity risk is the risk that the Company or the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments that are settled by delivering cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Company and the Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Company and the Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

28 Financial risk management objectives and policies (Cont'd)

Liquidity risk (Cont'd)

The Group's financial liabilities comprising trade and other payables and borrowings with contractual undiscounted cash flows. Nevertheless, the Group ensures that there are adequate funds to meet all its obligations in a timely and cost-effective manner. The Group maintains a sufficient level of cash and bank balances and has available adequate amount of committed credit facilities from financial and non-financial institutions to meet its working capital requirements. The Group also relies on short-term funding from shareholder.

The government of the PRC imposes control over foreign currencies. Renminbi, the official currency in PRC, is not freely convertible. Enterprises operating in the PRC can enter into exchange transactions through the People's Bank of China or other authorised financial institutions.

Exchanges of Renminbi for foreign currency must be arranged through the People's Bank of China or other authorised financial institutions. Approval for exchanges at the People's Bank of China or other authorised financial institutions is granted to enterprises in the PRC for valid reasons such as purchase of imported materials and remittance of earnings. While conversion of Renminbi into foreign currencies can generally be effected at the People's Bank of China or other authorised financial institutions, there is no guarantee that it can be effected at all times.

The Group's liquidity risk management policy is to maintain sufficient liquid financial assets. In particular, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

The Group	**Carrying amount RMB'000**	**Contractual cash flows RMB'000**	**Within 1 year RMB'000**	**Between 1 and 2 years RMB'000**	**Between 2 and 5 years RMB'000**
2017					
Financial liabilities:					
Borrowings (Note 16)	(1,662,080)	(1,758,363)	(1,439,801)	(94,263)	(224,299)
Trade and other payables (Note 17)	(470,966)	(470,966)	(470,966)	-	-
Other liabilities (Note 18)	(202,869)	(202,869)	(202,869)	-	-
Total undiscounted financial liabilities	(2,335,915)	(2,432,198)	(2,113,636)	(94,263)	(224,299)

The Company					
2017					
Financial liabilities:					
Trade and other payables (Note 17)	(65,566)	(65,566)	(65,566)	-	-
Other liabilities (Note 18)	(28,576)	(28,576)	(28,576)	-	-
Total undiscounted financial liabilities	(94,142)	(94,142)	(94,142)	-	-

28 Financial risk management objectives and policies (Cont'd)

Liquidity risk (Cont'd)

The Group	Carrying amount RMB'000	Contractual cash flows RMB'000	Within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000
2016					
Financial liabilities:					
Borrowings (Note 16)	(1,693,928)	(1,787,489)	(1,787,489)	-	-
Trade and other payables (Note 17)	(681,897)	(681,897)	(681,897)	-	-
Other liabilities (Note 18)	(157,926)	(157,926)	(157,926)	-	-
Total undiscounted financial liabilities	(2,533,751)	(2,627,312)	(2,627,312)	-	-
The Company					
2016					
Financial liabilities:					
Trade and other payables (Note 17)	(61,582)	(61,582)	(61,582)	-	-
Other liabilities (Note 18)	(29,440)	(29,440)	(29,440)	-	-
Total undiscounted financial liabilities	(91,022)	(91,022)	(91,022)	-	-

The maturity analyses show the contractual undiscounted cash flows of the Group and the Company's financial liabilities on the basis of their earliest possible contractual maturity. The cash inflows/(outflows) disclosed relate to those instruments held for risk management purposes and which are usually not closed out prior to contractual maturity.

Financial instruments by category

	The Group		The Company	
	2017 RMB'000	2016 RMB'000	**2017 RMB'000**	2016 RMB'000
Financial assets				
Financial assets measured at amortised cost:				
Trade and other receivables (Note 11)	**112,979**	128,182	**-**	-
Bank deposit pledged (Note 12)	**17,767**	118,930	**-**	-
Cash and short term deposits (Note 13)	**15,964**	2,464	**18**	38
	146,710	249,576	**18**	38
Financial liabilities				
Financial liabilities measured at amortised cost:				
Borrowings (Note 16)	**(1,662,080)**	(1,693,928)	**-**	-
Trade and other payables (Note 17)	**(470,966)**	(681,896)	**-**	(61,582)
Other liabilities (Note 18)	**(202,869)**	(157,926)	**(28,576)**	(29,440)
	(2,335,915)	(2,533,750)	**(28,576)**	(91,022)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from cash at bank and short term bank loans. The Group obtains additional financing through bank borrowings at a mix of fixed and floating interest rate. The Group's policy is to obtain the most favourable interest rates available.

28 Financial risk management objectives and policies (Cont'd)

Interest rate risk (Cont'd)
Surplus funds are placed with reputable banks.

Information relating to the Group's and Company's interest rate exposure is also disclosed in Notes 13, 16, 17 and 18 to the financial statements.

At the end of each reporting period, the carrying amount of the interest-bearing financial instruments is as follows:

The Group	**2017** **RMB'000**	2016 RMB'000
Fixed rate instruments		
Financial liabilities		
- loans from banks and non-financial institutions	**(433,100)**	(469,750)
Variable rate instruments		
Financial assets		
- Bank deposits pledged	**17,767**	118,930
- Bank balances	**15,964**	2,464
- Bills receivables	**861**	50
Financial liabilities		
- bank loans (secured)	**(1,228,980)**	(1,224,178)
- bills payable to banks	**(17,594)**	(130,600)
	(1,211,982)	(1,233,334)

Interest rate risk

Sensitivity analysis for fixed rate instruments
The Group does not account for any fixed rate assets or liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of each reporting period would not affect profit or loss.

Sensitivity analysis for interest rate risk
As at 31 December 2017, if RMB interest rates had been 100 basis points (2016 - 100 basis points) lower/higher with all other variables held constant, the Group's loss after tax would have been RMB 9.1 million (2016 - RMB 9.3 million) lower/higher, arising mainly as a result of lower/higher interest income and expense on cash at banks and short term bank loans respectively. The assumed movement in basis points for interest rate sensitivity analysis is based on observable market environment.

The Group's policy is to obtain the most favourable interest rates available without increasing its interest rate exposure.

Market price risk
Price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices. The Group does not hold any quoted or marketable financial instruments, hence, is not exposed to any movement in market prices.

Foreign currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

The Group has exposures arising from transactions that are denominated in a currency other than the respective functional currencies of group entities, namely Renminbi. The foreign currency transactions are denominated primarily in United States dollar and Singapore dollar. The Group holds cash and bank balances denominated in United States dollar and Singapore dollar for working capital purposes.

28 Financial risk management objectives and policies (Cont'd)

Foreign currency risk (Cont'd)

Consequently, the Group is exposed to movements in foreign currency exchange rates. However, the Group does not use any financial derivatives such as foreign currency forward contracts, foreign currency options or swaps for hedging purposes.

The Group's exposures in financial instruments to the various foreign currencies are mainly as follows:

The Group	**2017** SGD RMB'000	**2017** USD RMB'000	2016 SGD RMB'000	2016 USD RMB'000
Cash and short-term deposits	**12**	**3**	32	3
Other liabilities	**–**	**–**	(4,207)	–
	12	**3**	(4,175)	3

Currently, the PRC government imposes control over foreign currencies. RMB, the official currency in China, is not freely convertible. Enterprises operating in the PRC can enter into exchange transactions through the People's Bank of China or other authorised financial institutions.

Exchanges of RMB for foreign currency must be arranged through the People's Bank of China or other authorised financial institutions. Approval for exchanges at the People's Bank of China or other authorised financial institutions is granted to enterprises in the PRC for valid reasons such as purchase of imported materials and remittance of earnings. While conversion of RMB into foreign currencies can generally be effected at the People's Bank of China or other authorised financial institutions, there is no guarantee that it can be effected at all times.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's cash and bank balances and other liabilities and provisions denominated in USD and SGD held by the PRC subsidiaries whose functional currency is RMB, to a reasonably possible change in the USD and SGD exchange rates against the RMB, with all other variables held constant.

The Group		Loss net of tax / Equity **2017** RMB'000	Loss net of tax / Equity 2016 RMB'000
SGD/RMB	- strengthened 3% (2016 - 3%)	**–**	(94)
	- weakened 3% (2016 - 3%)	**–**	94

29 Fair value measurement

Accounting classifications and fair values

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

(a) Level 1: those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

(b) Level 2: those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

(c) Level 3: those derived from valuation technique that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

29 Fair value measurement (Cont'd)

Accounting classifications and fair values (Cont'd)

Fair value measurement of financial instruments
The carrying values of variable rate bank loans approximate their fair values.

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, trade and other payables and interest-bearing borrowings) or those which reprice regularly approximate their fair values because of the short period to maturity or repricing.

30 Capital management

The Group's objectives when managing capital are:

(a) To safeguard the Group's abilities to continue as a going concern;
(b) To support the Group's stabilities and growth;
(c) To provide capital for the purpose of strengthening the Group's risk management capabilities; and
(d) To provide an adequate return to the shareholders.

The Group actively and regularly review and manage its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

No changes were made in the objectives, policies or processes during the financial year ended 31 December 2017. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

The Group monitors capital using a capital net debt ratio, which is net debt divided by total capital plus net debt. The Group's priority is to continue to obtain financial support from the bankers to fund the New Production Facilities of Huaxiang China. The Group includes within net debt, short term bank loans, trade and other payables, other liabilities, less cash and bank balances. Capital includes equity attributable to the equity holders less the abovementioned restricted PRC statutory reserve fund.

The Group	**2017** **RMB'000**	2016 RMB'000
Borrowings (Note 16)	**1,662,080**	1,693,928
Trade and other payables (Note 17)	**470,966**	681,897
Other liabilities (Note 18)	**202,869**	157,926
Total debt	**2,335,915**	2,533,751
Less: Cash and bank balances (Note 13)	**(33,731)**	(121,394)
Net debt	**2,302,184**	2,412,357
Equity attributable to the equity holders	**(429,839)**	(314,814)
Capital and net debt	**1,872,345**	2,097,543
Capital net debt ratio	**123.0%**	115.0%

31 Prior year adjustments and comparative figures

Management corrected the material prior year's errors identified above by restating the comparative amounts for the prior period's statement of financial position and statement of comprehensive income in accordance with FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors.* Accordingly, a third statement of financial position is presented.

The Group	As reported previously 31.12.2016	Prior year adjustments	As restated 31.12.2016
	RMB'000	RMB'000	RMB'000
Statement of financial position			
Non-current assets			
Property, plant and equipment	1,348,779	(21,041) [1] 21,041 [2]	1,348,779
Current Liabilities			
Trade and other payables	702,938	(21,041) [1]	681,897
Equity			
Accumulated losses	(2,170,712)	21,041 [2]	(2,149,671)

The Group	As reported previously 31.12.2015	Prior year adjustments	As restated 31.12.2015
	RMB'000	RMB'000	RMB'000
Statement of financial position			
Non-current assets			
Property, plant and equipment	1,530,276	(21,041) [1] 21,041 [2]	1,530,276
Current Liabilities			
Trade and other payables	756,646	(21,041) [1]	735,605
Equity			
Accumulated losses	(1,795,622)	21,041 [2]	(1,774,581)

1. Certain plant and machinery amounting to RMB 21.0 million arising from the Huaxiang Project in FY 2014 have been capitalised twice in Huaxiang China's fixed assets register, with a corresponding increase recorded in "advances from third parties (non-trade)" within "trade and other payables" as disclosed in Note 17 to the financial statements. Accordingly, an adjustment was made to rectify the overstatement of property, plant and equipment and trade and other payables as at 31 December 2016 and 1 January 2016. Management has considered the depreciation effects on FY2016 is immaterial to be adjusted.

2. Arising from (1), management has correspondingly adjusted the overstatement of impairment loss of RMB 21 million previously recognised on the Group's property, plant and equipment in FY2015 as the impairment loss determined at that reporting date was based on the difference between the recoverable amount and the carrying amount of the Group's property, plant and equipment, which included the error mentioned in (1).

32 Other Matter

On 8 March 2016, the Company announced that on 1 December 2015, a claim was brought against the Company by Daewoo Securities Co., Ltd (the "Plaintiff") in Korea, in connection with an alleged breach of an underwriting agreement signed between the Company and the Plaintiff in 2010. The Plaintiff was then the lead arranger for the Company's public offering of depository receipts ("DRs") which were listed on the Korea Exchange in 2011. In connection with the said listing of the DRs, the Company had entered into an underwriting agreement with the Plaintiff. The Plaintiff has filed a claim for damages of 1 billion Korean Won (plus interest) (i.e. approximately RMB 5.4 million or S$1.15 million), for the alleged breach by the Company for violating its representation and warrant obligation under the Underwriting Agreement in respect of the provision of inaccurate financial statements to the Plaintiff and false description of cash and assets in the statements submitted in relation to the listing of the DRs.

The Company intends to defend the plaintiff's claims and has engaged a Singapore legal professional to seek legal advice. Management has assessed that the financial impact, including any outflows to settle this obligation, if any, will not be significant to the Group.

APPENDIX E-1 – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

The unaudited consolidated financial statements of the Group for the financial year ended 31 December 2018 which are set out below have been reproduced from the Company's announcement dated 1 March 2019, and were not specifically prepared for inclusion in this Circular.

China Gaoxian Fibre Fabric Holdings Ltd.

SGXNET ANNOUNCEMENT
Unaudited Financial Statement and Dividend Announcement
For the Financial Period ended 31 December 2018

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 June 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 June 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 ("4QFY2018") and year ended 31 December 2018 ("FY2018") 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.

Discontinued operation and disposal group classified as held for sale

On 21 August 2018, the Company announced that it had entered into a sale and purchase agreement ("**SPA**") with Kingwealth International Investments Limited ("**Purchaser**"), pursuant to which the Company agreed to sell to the Purchaser, and the Purchaser agreed to acquire, all of the issued and paid-up shares ("**Sale Shares**") in the capital of Huaxiang China Gaoxian International Holdings Limited ("**Huaxiang Hong Kong**"), together with its subsidiaries, namely:

(a) Huaxiang (China) Premium Fibre Co., Ltd. ("**Huaxiang China**");
(b) Changle Bole Trading Co., Ltd. ("**Changle Bole**");
(c) Huzhou Huaxiang Property Co., Ltd. ("**Huaxiang Property**"); and
(d) Fujian New Huawei Fibre Dyeing Co., Ltd., ("**Fujian New Huawei**"),

(collectively, together with Huaxiang Hong Kong, the "**Sale Subsidiaries**") on the terms and subject to the conditions of the SPA ("**Proposed Disposal**").

The Proposed Disposal constitutes a "**major transaction**" under Chapter 10 of the Listing Manual ("**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). Accordingly, the Company will be seeking the approval of its shareholders for the Proposed Disposal as a major transaction under Chapter 10 of the Listing Manual at an extraordinary general meeting ("**EGM**") to be convened.

Upon completion of the Proposed Disposal ("**Completion**"), the Sale Subsidiaries will cease to be subsidiaries of the Company. The Sale Subsidiaries operated the Group's production facilities which utilised the direct melt-spinning technology ("**Huaxiang Project**"). The Group will cease operations of the Huaxiang Project following the Proposed Disposal.

However, the Group will continue to hold Zhejiang Huagang Polyester Industrial Co., Ltd. ("**Zhejiang Huagang**") and its wholly-owned subsidiary, Changle Guangda Trading Co., Ltd. ("**Guangda**", together with Zhejiang Huagang and the Company, the "**Huagang Group**"), which will continue operating, inter alia, the businesses of producing and selling polyester yarn and warp knit fabric and also the trading of textile related products, textile machine and related parts and construction material ("**Remaining Business**").

As at 31 December 2018, the assets and liabilities related to the Proposed Disposal Group have been presented in the balance sheet as "***Assets of disposal group classified as held for sale***" and "***Liabilities directly associated with disposal group classified as held for sale***", and its results are presented separately on profit or loss as "***Loss from discontinued operation, net of tax***".

The basic and diluted loss per share from discontinued operation are calculated by dividing the loss from discontinued operation, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares for basic earnings per share computation and weighted average number of ordinary shares for diluted earnings per share computation respectively.

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 fourth quarter ("4Q") and the financial year("12 months") ended 31 December 2018.

	Unaudited 4Q ended			Unaudited 12 months ended		
	31.12.18 RMB'000	**31.12.17 RMB'000**	**Change %**	**31.12.18 RMB'000**	**31.12.17 RMB'000**	**Change %**
Continuing operations						
Revenue	-	-		-	-	
Cost of sales	-	-		-	-	
Gross profit	-	-		-	-	
Other items of income						
Financial income	9,420	629	N.M.	13,421	651	N.M.
Other income	491	229,993	-99%	491	230,472	-99%
Other items of expense						
Selling and distribution expenses	-	-		-	-	
General and administrative expenses	(3,869)	(3,222)	20%	(13,377)	(13,567)	-1.4%
Financial expense	(5,931)	(2,030)	N.M.	(10,025)	(5,345)	87%
Profit/(loss) before tax from continuing operations	**111**	**225,370**	**-99%**	**(9,490)**	**212,211**	**-104%**
Income tax expense	-	-		-	-	
Profit/(loss) from continuing operations, net of tax	111	225,370	**-99%**	(9,490)	**212,211**	-104%
Discontinued operations						
Loss from discontinued operations, net of tax	-	(235,716)	-100%	(63,874)	(327,236)	-80%
Net profit/(loss) attributable to shareholders representing total comprehensive income for the period attributable to equity holders of the Company	**111**	**(10,346)**	**-101%**	**(73,364)**	**(115,025)**	**-36%**

N.M. - not meaningful

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 profit/(loss) before tax is determined after charging/crediting the following:

	Group			
	4Q ended Unaudited		12 months ended Unaudited	
	31.12.18 RMB'000	31.12.17 RMB'000	31.12.18 RMB'000	31.12.17 RMB'000
Continued operations				
Amortisation of land use rights	67	67	271	271
Depreciation of property, plant and equipment	2,834	1,244	7,044	7,011
Payroll and related expenses	281	177	1,292	815
Discontinued operations				
Amortisation of land use rights	-	935	2,565	3,465
Amortisation of cost of preparation of land	-	417	-	1,667
Depreciation of property, plant and equipment	-	59,740	70,224	146,236
Payroll and related expenses	-	45,755	35,204	78,141
Foreign exchange, net	-	47	17	164

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 31.12.18 RMB'000	**Audited 31.12.17 RMB'000**	**Unaudited 31.12.18 RMB'000**	**Audited 31.12.17 RMB'000**
Assets				
Non-current assets				
Property, plant and equipment	46,268	1,192,518	-	-
Investment properties (construction-work-in-progress)	-	159,045	-	-
Land use rights prepayments	9,240	144,854	-	-
Prepayments	-	55,988	-	-
Long term receivables	-	67,647	-	-
	55,508	1,620,052	-	-
Current assets				
Land use rights prepayments	271	3,646	-	-
Inventories	-	18,275	-	-
Prepayments	-	7,402	-	-
Trade receivables	-	67,136	-	-
Bills and other receivables	19,072	155,834	-	-
Bank deposits pledged	-	17,767	-	-
Cash and cash equivalents	133	15,964	17	18
	19,476	286,024	17	18
Assets of disposal group classified as held for sale	**1,742,260**	**-**	**-**	**-**
Total Assets	**1,817,244**	**1,906,076**	**17**	**18**
Current liabilities				
Short term loans	(388,722)	(1,139,080)	-	-
Trade payables	-	(105,005)	-	-
Bills payables	-	(17,596)	-	-
Payables for the acquisition of property, plant and equipment	-	(61,867)	-	-
Other payables, liabilities, and provisions	(72,237)	(489,367)	(96,906)	(94,142)
	(460,959)	(1,812,915)	(96,906)	(94,142)
Net current liabilities	**(441,483)**	**(1,526,891)**	**(96,889)**	**(94,124)**
Non-current liabilities				
Long term bank loans	-	(523,000)	-	-
	-	(523,000)	-	-
Liabilities directly associated with disposal group classified as held for sale	**(1,859,489)**	-	-	-
Total Liabilities	**(2,320,448)**	**(2,335,915)**	**(96,906)**	**(94,142)**
Net liabilities	**(503,204)**	**(429,839)**	**(96,889)**	**(94,124)**
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	2,338,061	2,264,696	2,301,309	2,298,544
Reserve of disposal group classified as held for sale				
Total equity	**503,204**	**429,839**	**96,889**	**94,124**
Total equity and liabilities	**(1,817,244)**	**(1,906,076)**	**(17)**	**(18)**

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

	Group	
	Unaudited 31.12.18 RMB'000	**Audited 31.12.17 RMB'000**
Amount repayable in one year or less, or on demand		
- Secured	388,722	1,139,080
- Unsecured	-	-
	388,722	1,139,080
Amount repayable after one year		
- Secured	–	523,000
- Unsecured	–	–
	–	523,000

Details of any collateral

Bank loans and finance lease

As at 31 December 2018 and 2017, the short term and long term bank loans are secured by pledge of land use rights, production and office buildings, corporate guarantees from the subsidiaries and certain third parties, personal guarantee from a shareholder, Mr. Cao Xiangbin. The carrying amounts of assets pledged are disclosed below.

	Group	
	Unaudited 31.12.18 RMB'000	**Audited 31.12.17 RMB'000**
Land use rights	9,511	152,146
Production, Office buildings, Construction work in progress and Machineries	43,861	614,638
	53,372	766,784

Bills payable to banks

The bills payable to banks have an maturity period of 90 days or 180 days and are interest-free as repayments were made within the credit periods granted. As at 31 December 2018 and 2017, the bills payable to banks were secured by pledge of bank deposits and corporate guarantees from subsidiaries and personal guarantee from a shareholder, Cao Xiangbin and certain third parties. The carrying amounts of assets pledged are disclosed below.

	Group	
	Unaudited 31.12.18 RMB'000	**Audited 31.12.17 RMB'000**
Bank deposits pledged	-	17,767

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 fourth quarter ended 31 December 2018 ("4QFY2018")

	Group			
	4Q ended Unaudited		**12 months ended Unaudited**	
	31.12.18 RMB'000	**31.12.17 RMB'000**	**31.12.18 RMB'000**	**31.12.17 RMB'000**
Loss before tax				
- Continuing operations	**4,110**	**225,370**	**(9,491)**	**212,211**
- Discontinued operations	**-**	**(235,716)**	**(63,874)**	**(327,236)**
	4,110	**(10,346)**	**(73,365)**	**(115,025)**
Adjustments:				
Amortisation of land use rights	67	912	1,959	3,646
Amortisation of costs of preparation of land	-	417	833	1,667
Depreciation of property, plant and equipment	2,834	66,879	77,268	159,142
Impairment of trade and other receivables	-	10,068	-	10,068
Impairment on investment	-	(29,993)	-	(29,993)
Interest expense	-	12,563	69,405	120,773
Interest income	-	(468)	(586)	(2,773)
Loss on disposal of property, plant and equipment	-	19	-	1,699
Unrealised exchange (gain)/loss	-	(45)	17	-
Operating profit before working capital changes	7,011	50,005	75,531	149,203
(Increase)/ Decrease in:				
Inventories	-	19,725	(26,651)	654
Trade and other receivables and prepayments	55,580	112,306	54,418	85,160
Trade and other payables/ other liabilities	6,155	(123,745)	10,702	(62,440)
Cash flows generated from operations	68,746	58,291	114,000	172,577
Interest income received	-	468	586	2,773
Income taxes paid	-	–	-	–
Net cash flows generated from operating activities	**68,746**	**58,759**	**114,586**	**175,350**
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	-	18	-	2,622
Purchase of property, plant and equipment	-	(24,873)	(19,936)	(39,509)
Net cash flows used in investing activities	**-**	**(24,855)**	**(19,936)**	**(36,887)**
Cash flows from financing activities				
Proceeds from short term financing loans	-	210,730	778,114	1,208,180
Repayment of short term financing loans	(68,825)	(226,947)	(834,415)	(1,240,028)
Decrease in bank deposits pledged	-	(9,537)	17,767	101,163
Decrease/ (increase) in bills payable	-	14,146	45,748	(113,004)
Interest expense paid	-	(15,522)	(69,405)	(81,275)
Net cash flows used in financing activities	**(68,825)**	**(27,130)**	**(62,191)**	**(124,964)**
Net (decrease)/increase in cash and cash equivalents	**(79)**	**6,774**	**32,459**	**13,500**
Cash and cash equivalents at beginning of financial period/year	**212**	**9,189**	**15,964**	**2,464**
Cash and cash equivalents classified as held-for-sales	**-**	**-**	**(48,290)**	**-**
Cash and cash equivalents at end of financial period/year (Note A)	**133**	**15,964**	**133**	**15,964**

Note to the consolidated cash flow statement

	12 months ended Unaudited	
	Unaudited 31.12.2018	**Audited 31.12.2017**
	RMB'000	**RMB'000**
Note A: Cash and cash equivalents		
Cash and bank balances	133	33,731
Less: Bank deposits pledged	-	(17,767)
Cash and cash equivalents	**133**	**15,964**

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 4QFY2018 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.

The Group	Share capital RMB'000	Warrant Reserve RMB'000	Merger reserve RMB'000	Accumulated losses RMB'000	Total Equity RMB'000
At 1 January 2018	**2,190,580**	**13,840**	**(369,563)**	**(2,264,696)**	**(429,839)**
Loss net of tax represents total comprehensive loss for the period	–	–	–	(8,897)	(8,897)
At 31 March 2018	**2,190,580**	**13,840**	**(369,563)**	**(2,273,593)**	**(438,736)**
Loss net of tax represents total comprehensive loss for the period	–	–	–	(60,936)	(60,936)
At 30 June 2018	**2,190,580**	**13,840**	**(369,563)**	**(2,334,529)**	**(499,672)**
Loss net of tax represents total comprehensive loss for the period	–	–	–	(7,642)	(7,642)
At 30 September 2018	**2,190,580**	**13,840**	**(369,563)**	**(2,342,171)**	**(507,314)**
Loss net of tax represents total comprehensive loss for the period	–	–	–	4,110	4,110
At 31 December 2018	**2,190,580**	**13,840**	**(369,563)**	**(2,338,061)**	**(503,204)**

The Group	Share capital RMB'000	Warrant Reserve RMB'000	Merger reserve RMB'000	Accumulated losses RMB'000	Total Equity RMB'000
At 1 January 2017	**2,190,580**	**13,840**	**(369,563)**	**(2,170,712)**	**(335,855)**
Loss net of tax represents total comprehensive loss for the period	–	–	–	(47,896)	(47,896)
At 31 March 2017	**2,190,580**	**13,840**	**(369,563)**	**(2,218,608)**	**(383,751)**
Loss net of tax represents total comprehensive loss for the period	–	–	–	(34,605)	(34,605)
At 30 June 2017	**2,190,580**	**13,840**	**(369,563)**	**(2,253,213)**	**(418,356)**
Loss net of tax represents total comprehensive loss for the period	–	–	–	(22,178)	(22,178)
At 30 September 2017	**2,190,580**	**13,840**	**(369,563)**	**(2,275,391)**	**(440,534)**
Loss net of tax represents total comprehensive loss for the period	–	–	–	10,695	10,695
At 31 December 2017	**2,190,580**	**13,840**	**(369,563)**	**(2,264,696)**	**(429,839)**

The Company	Share capital RMB'000	Warrant Reserve RMB'000	Merger reserve RMB'000	Accumulated losses RMB'000	Total Equity RMB'000
At 1 January 2018	**2,190,580**	**13,840**	**-**	**(2,295,404)**	**(90,984)**
Loss net of tax represents total comprehensive loss for the period	–	–	–	398	398
At 31 March 2018	**2,190,580**	**13,840**	–	**(2,298,146)**	**(93,726)**
Loss net of tax represents total comprehensive loss for the period	–	–	–	(1,252)	(1,252)
At 30 June 2018	**2,190,580**	**13,840**	–	**(2,299,398)**	**(94,978)**
Loss net of tax represents total comprehensive loss for the period	–	–	–	(1,622)	(1,622)
At 30 September 2018	**2,190,580**	**13,840**	–	**(2,301,020)**	**(96,600)**

Loss net of tax represents total comprehensive loss for the period	–	–	–	(289)	(289)
At 31 December 2018	**2,190,580**	**13,840**	–	**(2,301,309)**	**(96,889)**

The Company	**Share capital RMB'000**	**Warrant Reserve RMB'000**	**Merger reserve RMB'000**	**Accumulated losses RMB'000**	**Total Equity RMB'000**
At 1 January 2017	**2,190,580**	**13,840**	**-**	**(2,295,404)**	**(90,984)**
Loss net of tax represents total comprehensive loss for the period	–	–	–	(591)	(591)
At 31 March 2017	**2,190,580**	**13,840**	–	**(2,295,995)**	**(91,575)**
Loss net of tax represents total comprehensive loss for the period	–	–	–	(994)	(994)
At 30 June 2017	**2,190,580**	**13,840**	–	**(2,296,989)**	**(92,569)**
Loss net of tax represents total comprehensive loss for the period	–	–	–	(195)	(195)
At 30 September 2017	**2,190,580**	**13,840**	–	**(2,297,184)**	**(92,764)**
Loss net of tax represents total comprehensive loss for the period	–	–	–	(1,361)	(1,361)
At 31 December 2018	**2,190,580**	**13,840**	–	**(2,298,545)**	**(94,125)**

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.

There were no changes in the share capital of the Company as at 31 December 2018.

As at 31 December 2018, the Company has an issued and paid-up share capital comprising 113,750,147 Shares (31 December 2017: 113,749,997 Shares). The Company does not have any treasury shares and warrants.

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 31.12.2018	Audited 31.12.2017
Total number of issued share capital excluding treasury shares	113,750,147	113,749,997

The Company does not have treasury shares as at 31 December 2018 and 2017.

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 31 December 2018, 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 2018, 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 2018. 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 4QFY2018 are as follows ("Limitations"):

Financial period from 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 as described in the preceding paragraphs, the Company is unable to ascertain the impact, if any, on the 4QFY2018 financial results and there is no assurance that there are no material facts not known to the current management that may require the 4QFY2018 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			
	4Q ended		**12 months ended**	
	31.12.18	**31.12.17**	**31.12.18**	**31.12.17**
Loss per share ("LPS")				
Basic and diluted (RMB)	0.00	(0.09)	(0.64)	(1.01)

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**
	31.12.18	**31.12.17**	**31.12.18**	**31.12.17**
Net asset value per share (RMB)	(4.42)	(3.78)	(0.85)	(0.83)

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 4QFY2018 FINANCIAL RESULTS

Continued Operation

The continued operation including the company, Huagang, and Guangda which are currently inactive. Therefore, there is no revenue and corresponding cost of sales.

Financial income in 4QFY2018 increased by RMB 8.79 million or 1397% to RMB 9.42 million from RMB 0.69 million in 4QFY2017.

Other income in 4QFY2018 increased by RMB 0.49 million or 100% to RMB 0.49 million from RMB nil in 4QFY2017.

Selling and distribution expenses is nil.

General and administrative expenses in 4QFY2018 increased by 20% to RMB 3.87 million from RMB 3.22 million in 4QFY2017.

Financial expenses in 4QFY2018 increased by RMB 3.90 million to RMB 5.93 million from RMB 2.03 million in 4QFY2017.

3 months ended 31 December 2018 ("4QFY2018")

The Group registered a profit of RMB 0.11 million for 4QFY2018.

Consolidated Balance Sheet

As at 31 December 2018, the Group's PPE amounted to RMB 46.2 million.

Land use rights over the one plots of state-owned land in the PRC where the Group's manufacturing premises reside, amounted to RMB 9.24 million as at 31 December 2018.

In terms of current assets, bills and other receivables amounted to RMB 19.07 million as at 31 December 2018. Other receivables are mainly comprised:

(i) Non-trade amount due from a third party-Huaao Fibre tech Co., Ltd of RMB 10.5 million; and
(ii) Non-trade amount due from a third party-Huarui sewing thread Co., Ltd of RMB 5.6 million.

In terms of current liabilities, short term loans amounted to RMB 388.72 million as at 31 December 2018.

Other payables, liabilities and provision amounted to RMB 72.24 million as at 31 December 2018. they comprised mainly:

(ii) Deposit received amounted to RMB 6.89 million; and
(iii) Non-trade amount due to a third party Changguang project development Co., Ltd amounted to RMB 21.04 million

As at 31 December 2018, the Group reported a deficiency in net working capital amounting to RMB 441.5 million as the Group currently uses short term financing, including short term loans from financial institutions and non-financial institutions and bill payable facilities to finance its long-term Huaxiang Project and also the working capital requirements for the operations of the Huaxiang plant.

Consolidated Cash Flow Statement

Cash and cash equivalents is amounted RMB 0.13 million as at 31 December 2018 was mainly due to net cash generated from operating activities amounted to RMB 114.59 million**.** Cash used in payments of capital expenditures and financing activities amounted to RMB 19.93 million and RMB 62.19 million respectively, and reclassification of cash and cash equivalents of discontinue operation amounting to RMB 48.3 million.

Discontinued operation and disposal group classified as held for sale

Balance sheet disclosures
The major classes of assets and liabilities of the Proposed Disposal classified as held for sale and the related asset revaluation reserve as at 31 December 2018 are as follows:

Assets	**31.12.18 RMB'000**
Property, plant and equipment	1,074,623
Investment Property-Construction work-in-progress	156,387
Prepayments	55,988
Inventories	44,926
Prepayments	137,030
Trade receivables	39,161
Bills and other receivables	185,854
Cash and cash equivalents	48,290
	1,742,260
Liabilities	
Short term loans	(722,450)
Trade payables	(183,402)
Bills payables	(63,344)
Other payables, liabilities, and provisions	(483,294)
Long term bank loans	(407,000)
	(1,859,489)

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

The 4QFY2018 results are in line with the information described in paragraph 10 of the previous results announcement.

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.

Business Update

The AC and the Board have considered various options to revive the Company. On 27 July 2018, the Company announced that the Company's wholly owned subsidiary, Zhejiang Huagang Polyester Industrial Co., Ltd. ("Zhejiang Huagang") plans to upgrade its existing production facilities and ancillary machinery and equipment for the production and sales of new Fully Drawn Yarn ("FDY") products and new Partially Oriented Yarn ("POY") products, which include Fire-Retardant POY, Nylon Filament POY, Black Yarn FDY, High shrinkage FDY and Regenerated FDY (the "Project Huagang") in response to the increased demand in the People's Republic of China and technology readiness for the production of new FDY and POY products.

In contrast with the Huaxiang Project, the Huagang Project requires relatively lesser capital to upgrade its existing production plant and machinery for its production based on the projections made by Management. The products to be produced from the Huagang Project are mainly sold to fabric manufacturers who produce: (i) environmental friendly fabric, and (ii) fire resistant fabric, pursuant to the increased demand in the PRC and technology readiness. This is a niche market where the Management believes the Company can generate a stable income.

Market Outlook

From a macro perspective, the Company believes that the market conditions in the PRC remain challenging for the next twelve months in view of the looming trade disputes between the PRC and the United States of America and the impending global tightening monetary policy. The Company expects that the PRC's economy will remain sluggish in the foreseeable future.

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/recommended, a statement to that effect and the reason(s) for the decision.

No dividend has been declared or recommended for FY2018 as the Group does not have profits available for the declaration of dividend.

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.

14. Confirmation that the issuer has procured undertakings from all its directors and executive officers under Rule 720(1)

The Company has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

15. Segmented revenue and results operating segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

Business segments
The Group's primary format for reporting segment information is business segments, with each segment representing a product line. The Group's business segment is organised into six business segments, namely the share of profit from Zhejiang Material, Blended Yarn ("BY"), Fully Drawn Yarn ("FDY"), Drawn Textured Yarn ("DTY"), Partially Oriented Yarn ("POY"), and Polyester ("PET") chips.

FY2017 (12 months)	**Share of profit** RMB'000	**BY** RMB'000	**FDY** RMB'000	**DTY** RMB'000	**POY** RMB'000	**PET Chips** RMB'000	**Total** RMB'000
Group							
Revenue							
Sales to external customers	156,785	2,231	960,660	159,105	533,086	702,330	2,514,197
Results							
Gross profit							79,028
Unallocated expenses, net							
Financial income							2,773
Financial expense							(120,773)
Loss before tax							(115,025)
Income tax							-
Net loss attributable to shareholders							(115,025)
Other segment information							
Depreciation of property, plant and equipment							(153,247)
Amortisation of land use rights and cost of preparation of land							(5,313)

16. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the operating segments.

Not applicable.

17. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

Not applicable. No dividend was declared and paid in FY2018 and FY2017.

18. Disclosure of person occupying managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13).

There is no other person occupying managerial position in the Company or its principal subsidiaries that are related to any director or chief executive officer or substantial shareholder of the Company.

BY ORDER OF THE BOARD

China Gaoxian Fibre Fabric Holdings Ltd.
Tham Wan Loong, Jerome
Executive Director

1 March 2019

APPENDIX E-2 – MATERIAL DIFFERENCES IN ADJUSTED UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

The material differences between the adjusted unaudited consolidated financial statements of the Group for the financial year ended 31 December 2018 and the unaudited consolidated financial statements of the Group for the financial year ended 31 December 2018 which are set out below have been reproduced from the Company's announcement dated 23 May 2019, and were not specifically prepared for inclusion in this Circular.

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)

MATERIAL DIFFERENCES BETWEEN THE UNAUDITED FINANCIAL STATEMENTS AND ADJUSTED UNAUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

The Board of Directors (the "**Board**") of China Gaoxian Fibre Fabric Holdings Ltd. (the "**Company**", and together with its subsidiaries, the "**Group**") refers to the Company's announcement released on 1 March 2019 in relation to its unaudited full year financial statements for the financial year ended 31 December 2018 ("**FY2018**") (the "**Unaudited Results**").

The Company would like to highlight that there were certain material differences between the adjusted unaudited full year financial statements of the Group for FY2018 ("**Adjusted Unaudited Results**") and the Unaudited Results following the termination of the proposed disposal of the entire issued and paid-up share capital of Huaxiang China Gaoxian International Holdings Limited (the "**Proposed Disposal**") as announced on 8 May 2019.

The material differences between the Adjusted Unaudited Results and the Unaudited Results and the explanation thereon are set out as follows:

Consolidated Statement of Comprehensive Income for FY2018

The Group	Unaudited 12 months ended				Explanation
	Adjusted Unaudited Results RMB'000	Previously announced RMB'000	Variance RMB'000	Variance %	
Loss from discontinued operations, net of tax	(157,071)	(63,874)	(93,197)	-145%	*Note A*
Net profit/loss attributable to shareholders representing total comprehensive income for the period attributable to equity holders of the Company	(166,561)	(73,364)	(93,197)	-122%	*Note A*

Financial Position as at 31 December 2018

The Group	As at 31 December 2018				Explanation
	Adjusted Unaudited Results RMB'000	Previously announced RMB'000	Variance RMB'000	Variance %	
Assets of disposal group classified as held for sale	2,691,793	1,742,260	949,533	54.50%	*Note A*
Liabilities directly associated with disposal group classified as held for sale	(2,846,701)	(1,859,489)	(987,212)	53.09%	*Note A*
Accumulated losses	2,431,248	2,338,061	93,187	3.99%	*Note A*

Note A:
Certain financial adjustments have been recorded to reflect the financial impact arising from the termination of the Proposed Disposal as announced on 8 May 2019.

BY ORDER OF THE BOARD

China Gaoxian Fibre Fabric Holdings Ltd.
Tham Wan Loong, Jerome
Executive Director

23 May 2019

Cautionary Note:
On 27 February 2019, SGX has directed the Company to delist from the official list of the SGX-ST as the Company does not meet the criteria to exit from financial Watch-List. The Company's shares have been suspended from trading since 2 April 2019.

As announced on 8 May 2019, the Proposed Disposal has been terminated. The termination of SPA is expected to have a material impact on the Group's consolidated financial statements for the financial year ended 31 December 2018 and for the current year ending 31 December 2019. As such, the Company's management is required to devote considerable amount of time and effort in consolidate and finalise the unaudited financial results for FY2018 and 1QFY2019.

In addition, the Audit Committee ("AC") is seeking for the advice from the relevant professional party (i.e. auditors) for the appropriate accounting treatment on the Group's consolidated financial statements for the financial year ended 31 December 2018 and for the current year ending 31 December 2019 following the termination of the SPA. The AC has enquired the management on the probable material impact on the Group's consolidated financial statements and the management has requested more times to assess and complete the works.

This announcement was prepared on the best effort basis. Shareholders are advised to read this announcement carefully.

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APPENDIX F – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE FIRST QUARTER ENDED 31 MARCH 2019

The unaudited consolidated financial statements of the Group for the first quarter ended 31 March 2019 which are set out below have been reproduced from the Company's announcement dated 15 May 2019, and were not specifically prepared for inclusion in this Circular.

China Gaoxian Fibre Fabric Holdings Ltd.

SGXNET ANNOUNCEMENT
Unaudited Financial Statement and Dividend Announcement
For the Financial Period ended 31 March 2019

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 June 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 June 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 ("1QFY2019") 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.

Discontinued operation and disposal group classified as held for sale

On 21 August 2018, the Company announced that it had entered into a sale and purchase agreement ("**SPA**") with Kingwealth International Investments Limited ("**Purchaser**"), pursuant to which the Company agreed to sell to the Purchaser, and the Purchaser agreed to acquire, all of the issued and paid-up shares ("**Sale Shares**") in the capital of Huaxiang China Gaoxian International Holdings Limited ("**Huaxiang Hong Kong**"), together with its subsidiaries, namely:

(a) Huaxiang (China) Premium Fibre Co., Ltd. ("**Huaxiang China**");
(b) Changle Bole Trading Co., Ltd. ("**Changle Bole**");
(c) Huzhou Huaxiang Property Co., Ltd. ("**Huaxiang Property**"); and
(d) Fujian New Huawei Fibre Dyeing Co., Ltd., ("**Fujian New Huawei**"),

(collectively, together with Huaxiang Hong Kong, the "**Sale Subsidiaries**") on the terms and subject to the conditions of the SPA ("**Proposed Disposal**").

The Proposed Disposal constitutes a "**major transaction**" under Chapter 10 of the Listing Manual ("**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). Accordingly, the Company will be seeking the approval of its shareholders for the Proposed Disposal as a major transaction under Chapter 10 of the Listing Manual at an extraordinary general meeting ("**EGM**") to be convened.

Upon completion of the Proposed Disposal ("**Completion**"), the Sale Subsidiaries will cease to be subsidiaries of the Company. The Sale Subsidiaries operated the Group's production facilities which utilised the direct melt-spinning technology ("**Huaxiang Project**"). The Group will cease operations of the Huaxiang Project following the Proposed Disposal.

However, the Group will continue to hold Zhejiang Huagang Polyester Industrial Co., Ltd. ("**Zhejiang Huagang**") and its wholly-owned subsidiary, Changle Guangda Trading Co., Ltd. ("**Guangda**", together with Zhejiang Huagang and the Company, the "**Huagang Group**"), which will continue operating, inter alia, the businesses of producing and selling polyester yarn and warp knit fabric and also the trading of textile related products, textile machine and related parts and construction material ("**Remaining Business**").

As at 31 March 2019, the assets and liabilities related to the Proposed Disposal Group have been presented in the balance sheet as "***Assets of disposal group classified as held for sale***" and "***Liabilities directly associated with disposal group classified as held for sale***", and its results are presented separately on profit or loss as "***Loss from discontinued operation, net of tax***".

The basic and diluted loss per share from discontinued operation are calculated by dividing the loss from discontinued operation, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares for basic earnings per share computation and weighted average number of ordinary shares for diluted earnings per share computation respectively.

Cautionary Note

On 27 February 2019, SGX has directed the Company to delist from the official list of the SGX-ST as the Company does not meet the criteria to exit from financial Watch-List. The Company's shares have been suspended from trading since 2 April 2019.

As announced on 8 May 2019, the Proposed Disposal has been terminated. The termination of SPA is expected to have a material impact on the Group's consolidated financial statements for the financial year ended 31 December 2018 and for the current year ending 31 December 2019. As such, the Company's management is required to devote considerable amount of time and effort in consolidate and finalise the unaudited financial results for 1QFY2019. In addition, the Audit Committee ("AC") is seeking for the advice from the relevant professional party (i.e. auditors) for the appropriate accounting treatment on the Group's consolidated financial statements for the financial year ended 31 December 2018 and for the current year ending 31 December 2019 following the termination of the SPA. The AC has enquired the management on the probable material impact on the Group's consolidated financial statements and the management has requested more times to assess and complete the works. The current annoucement is done on the best effort basis.

Shareholders are advised to read this announcement carefully.

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 first quarter ("1Q") ended 31 March 2019.

	Unaudited	**Unaudited**	
	01.01.19 to 31.03.19 3 months RMB'000	**01.01.18 to 31.03.18 3 months RMB'000**	**Change %**
Continuing operations			
Revenue	-	-	-
Cost of sales	-	-	-
	-	-	-
Gross profit	-	-	-
Other items of income			
Financial income	4,001	2,094	91.1%.
Other income	197	-	N.M.
Other items of expense			
Selling and distribution expenses	-	-	
General and administrative expenses	(3,888)	(1,861)	108.9%
Financial expense	(699)	-	N.M.
Profit/(loss) before tax from continuing operations	**(389)**	**234**	**-266.2%**
Income tax expense	-	-	
Profit/(loss) from continuing operations, net of tax	**(389)**	**234**	-266.2%
Discontinued operations			
Loss from discontinued operations, net of tax	-	(9,129)	100%
Net profit/(loss) attributable to shareholders representing total comprehensive income for the period attributable to equity holders of the Company	**(389)**	**(8,897)**	**-95.6%**

N.M. - not meaningful

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 profit/(loss) before tax is determined after charging/crediting the following:

	01.01.19 to 31.03.19 (3 months) RMB'000	**01.01.18 to 31.03.18 (3 months) RMB'000**
Continued operations		
Amortisation of land use rights	68	68
Depreciation of property, plant and equipment	5,700	1,403
Payroll and related expenses	180	32
Discontinued operations	-	
Amortisation of land use rights	-	843
Amortisation of cost of preparation of land	-	417
Depreciation of property, plant and equipment	-	34,399
Payroll and related expenses	-	19,389
Foreign exchange, net	-	16
Operating lease expenses	-	3,000

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 31.03.19 RMB'000	**Unaudited 31.12.18 RMB'000**	**Unaudited 31.03.19 RMB'000**	**Unaudited 31.12.18 RMB'000**
Assets				
Non-current assets				
Property, plant and equipment	43,494	46,268	-	-
Investment properties (construction-work-in-progress)	-	-	-	-
Land use rights prepayments	9,172	9,240	-	-
Prepayments	-	-	-	-
Long term receivables	-	-	-	-
	52,666	55,508	-	-
Current assets				
Land use rights prepayments	271	271	-	-
Inventories	-	-	-	-
Prepayments	-	-	-	-
Trade receivables	-	-	-	-
Bills and other receivables	18,088	19,072	-	-
Bank deposits pledged	-	-	-	-
Cash and cash equivalents	689	133	17	17
	19,048	19,476	17	17
Assets of disposal group classified as held for sale	**1,742,260**	**1,742,260**	**-**	**-**
Total Assets	**1,813,974**	**1,817,244**	**17**	**17**
Current liabilities				
Short term loans	(387,722)	(388,722)	-	-
Trade payables	-	-	-	-
Bills payables	-	-	-	-
Payables for the acquisition of property, plant and equipment	-	-	-	-
Other payables, liabilities, and provisions	(66,380)	(72,237)	(97,956)	(96,906)
	(454,102)	(460,959)	(97,956)	(96,906)
Net current liabilities	**(435,054)**	**(441,483)**	**(97,938)**	**(96,889)**
Non-current liabilities				
Long term bank loans	-	-	-	-
	-	-	-	-
Liabilities directly associated with disposal group classified as held for sale	**(1,859,489)**	**(1,859,489)**	-	-
Total Liabilities	**(2,313,591)**	**(2,320,448)**	**(97,956)**	**(96,906)**
Net liabilities	**(499,617)**	**(503,204)**	**(97,938)**	**(96,889)**
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	2,334,474	2,338,061	2,302,358	2,301,309
Reserve of disposal group classified as held for sale				
Total equity	**499,617**	**503,204**	**97,938**	**96,889**
Total equity and liabilities	**(1,804,834)**	**(1,817,244)**	**(17)**	**(17)**

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

	Group	
	Unaudited 31.03.19 RMB'000	**Unaudited 31.12.18 RMB'000**
Amount repayable in one year or less, or on demand		
- Secured	387,722	388,722
- Unsecured	-	-
	387,722	388,722
Amount repayable after one year		
- Secured	–	–
- Unsecured	–	–
	–	–

Details of any collateral

Bank loans and finance lease

As at 31 March 2019, the short term and long term bank loans are secured by pledge of land use rights, production and office buildings, corporate guarantees from the subsidiaries and certain third parties, personal guarantee from a shareholder, Mr. Cao Xiangbin. The carrying amounts of assets pledged are disclosed below.

	Group	
	Unaudited 31.03.19 RMB'000	**unaudited 31.12.18 RMB'000**
Land use rights	9,172	9,511
Production, Office buildings, Construction work in progress and Machineries	43,494	43,861
	52,666	53,372

Bills payable to banks

The bills payable to banks have an maturity period of 90 days or 180 days and are interest-free as repayments were made within the credit periods granted. As at 31 March 2019, the bills payable to banks were secured by pledge of bank deposits and corporate guarantees from subsidiaries and personal guarantee from a shareholder, Cao Xiangbin and certain third parties. The carrying amounts of assets pledged are disclosed below.

	Group	
	Unaudited 31.03.19 RMB'000	**Unaudited 31.03.18 RMB'000**
Bank deposits pledged	-	-

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 first quarter ended 31 March 2019 ("1QFY2019")

	Unaudited 01.01.19 to 31.03.19 RMB'000	**Unaudited 01.01.18 to 31.03.18 RMB'000**
Loss before tax		
- Continuing operations	**(389)**	**(8,897)**
- Discontinued operations	**-**	
	(389)	**(8,897)**
Adjustments:		
Amortisation of land use rights	68	911
Amortisation of costs of preparation of land	-	417
Depreciation of property, plant and equipment	5,700	37,448
Impairment of trade and other receivables	-	-
Impairment on investment	-	-
Interest expense	699	26,148
Interest income	(1)	(355)
Loss on disposal of property, plant and equipment	-	-
Unrealised exchange (gain)/loss	-	-
Operating profit before working capital changes	6,077	55,672
(Increase)/ Decrease in:		
Inventories	-	(24,938)
Trade and other receivables and prepayments	433	17,131
Trade and other payables/ other liabilities	(4,256)	36,720
Cash flows generated from operations	2,254	11,145
Interest income received	1	355
Income taxes paid	-	-
Net cash flows generated from operating activities	**2,255**	**11,500**
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	-	-
Purchase of property, plant and equipment	-	(8,733)
Net cash flows used in investing activities	**-**	**(8,733)**
Cash flows from financing activities		
Proceeds from short term financing loans	-	481,920
Repayment of short term financing loans	(1,000)	(468,300)
Decrease/(increase) in bank deposits pledged	-	26,343
Decrease/ (increase) in bills payable	-	26,343
Interest expense paid	(699)	(27,762)
Net cash flows used in financing activities	**(1,699)**	**(14,142)**
Net (decrease)/increase in cash and cash equivalents	**556**	**11,375**
Cash and cash equivalents at beginning of financial period/year	**133**	**15,964**
Cash and cash equivalents classified as held-for-sales	**-**	
Cash and cash equivalents at end of financial period/year (Note A)	**689**	**4,589**

Note to the consolidated cash flow statement

	Unaudited 31.03.2019 RMB'000	Unaudited 31.03.2018 RMB'000
Note A: Cash and cash equivalents		
Cash and bank balances	689	48,699
Less: Bank deposits pledged	-	(44,110)
Cash and cash equivalents	**689**	**4,589**

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 1QFY2019 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.

The Group	Share capital RMB'000	Warrant Reserve RMB'000	Merger reserve RMB'000	Accumulated losses RMB'000	Total Equity RMB'000
At 1 January 2019	**2,190,580**	**13,840**	**(369,563)**	**(2,338,061)**	**(503,204)**
Loss net of tax represents total comprehensive loss for the period	–	–	–	(389)	(389)
At 31 March 2019	**2,190,580**	**13,840**	**(369,563)**	**(2,338,450)**	**(503,593)**

The Group	Share capital RMB'000	Warrant Reserve RMB'000	Merger reserve RMB'000	Accumulated losses RMB'000	Total Equity RMB'000
At 1 January 2018	**2,190,580**	**13,840**	**(369,563)**	**(2,264,696)**	**(429,839)**
Loss net of tax represents total comprehensive loss for the period	–	–	–	(8,897)	(8,897)
At 31 March 2018	**2,190,580**	**13,840**	**(369,563)**	**(2,273,593)**	**(438,736)**

The Company	Share capital RMB'000	Warrant Reserve RMB'000	Merger reserve RMB'000	Accumulated losses RMB'000	Total Equity RMB'000
At 1 January 2019	**2,190,580**	**13,840**	–	**(2,301,309)**	**(96,889)**

Loss net of tax represents total comprehensive loss for the period	–	–	–	(1,050)	(1,050)
At 31 March 2019	**2,190,580**	**13,840**	–	**(2,302,359)**	**(97,939)**

The Company	**Share capital RMB'000**	**Warrant Reserve RMB'000**	**Merger reserve RMB'000**	**Accumulated losses RMB'000**	**Total Equity RMB'000**
At 1 January 2018	**2,190,580**	**13,840**	**-**	**(2,295,404)**	**(90,984)**
Loss net of tax represents total comprehensive loss for the period	–	–	–	398	398
At 31 March 2018	**2,190,580**	**13,840**	–	**(2,298,146)**	**(93,726)**

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.

There were no changes in the share capital of the Company as at 31 March 2019.

As at 31 March 2019, the Company has an issued and paid-up share capital comprising 113,750,147 Shares (31 December 2018: 113,750,147 Shares). The Company does not have any treasury shares and warrants.

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 31.03.2018**	**Unaudited 31.12.2018**
Total number of issued share capital excluding treasury shares	113,750,147	113,750,147

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 31 March 2019, 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 2019, 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 2019. 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 1QFY2019 are as follows ("Limitations"):

<u>Financial period from 1 January 2011 to 31 March 2011 ("1QFY2011")</u>
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.

<u>Balance Sheet as at 31 March 2011</u>
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.

<u>Cautionary Note</u>
In view of the matters as described in the preceding paragraphs, the Company is unable to ascertain the impact, if any, on the 1QFY2019 financial results and there is no assurance that there are no material facts not known to the current management that may require the 1QFY2019 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 1Q ended	
	31.03.19	**31.03.18**
Loss per share ("LPS")		
Basic and diluted (RMB)	(0.00)	(0.08)

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 31.03.19	**Unaudited 31.12.18**	**Unaudited 31.03.19**	**Unaudited 31.12.18**
Net asset value per share (RMB)	(4.39)	(4.42)	(0.86)	(0.85)

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.

<u>REVIEW OF 1QFY2019 FINANCIAL RESULTS</u>

Continued Operation

The continued operation including the company, Huagang, and Guangda which are currently inactive. Therefore, there is no revenue and corresponding cost of sales.

Financial income in 1QFY2019 increased by RMB 1.91 million or 91.1% to RMB 4.00 million from RMB 2.09 million in 1QFY2018.

Other income in 1QFY2019 increased by RMB 0.20 million or 100% to RMB 0.20 million from RMB nil in 1QFY2018.

Selling and distribution expenses is nil.

General and administrative expenses in 1QFY2019 increased by 108.9% to RMB 3.88 million from RMB 1.86 million in 1QFY2018.

Financial expenses in 1QFY2019 increased by RMB 0.70 million to RMB 0.70 million from RMB nil in 1QFY2018.

3 months ended 31 March 2019 ("1QFY2019")

The Group registered a loss of RMB 0.39 million for 1QFY2019.

Consolidated Balance Sheet

As at 31 March 2019, the Group's PPE amounted to RMB 43.49 million.

Land use rights over the one plots of state-owned land in the PRC where the Group's manufacturing premises reside, amounted to RMB 9.17 million as at 31 March 2019.

In terms of current assets, bills and other receivables amounted to RMB 18.09 million as at 31 March 2019. Other receivables are mainly comprised:

(i) Non-trade amount due from a third party-Huaao Fibre tech Co., Ltd of RMB 10.5 million; and
(ii) Non-trade amount due from a third party-Huarui sewing thread Co., Ltd of RMB 5.6 million.

In terms of current liabilities, short term loans amounted to RMB 387.72 million as at 31 March 2019.

Other payables, liabilities and provision amounted to RMB 66.38 million as at 31 March 2019. they comprised mainly:

(ii) Deposit received amounted to RMB 6.89 million; and
(iii) Non-trade amount due to a third party Changguang project development Co., Ltd amounted to RMB 21.04 million

As at 31 March 2019, the Group reported a deficiency in net working capital amounting to RMB 435.05 million as the Group currently uses short term financing, including short term loans from financial institutions and non-financial institutions and bill payable facilities to finance its long-term Huaxiang Project and also the working capital requirements for the operations of the Huaxiang plant.

Consolidated Cash Flow Statement

Cash and cash equivalents is amounted RMB 0.69 million as at 31 March 2019 was mainly due to net cash generated from operating activities amounted to RMB 2.26 million. Cash used in payments of capital expenditures and financing activities amounted to nil and RMB 1.70 million respectively, and reclassification of cash and cash equivalents of discontinue operation amounting to RMB nil.

Discontinued operation and disposal group classified as held for sale

Balance sheet disclosures
The major classes of assets and liabilities of the Proposed Disposal classified as held for sale and the related asset revaluation reserve as at 31 March 2019 are as follows:

	31.03.19
Assets	**RMB'000**
Property, plant and equipment	1,074,623
Investment Property-Construction work-in-progress	156,387
Prepayments	55,988
Inventories	44,926
Prepayments	137,030
Trade receivables	39,161
Bills and other receivables	185,854
Cash and cash equivalents	48,290
	1,742,260
Liabilities	
Short term loans	(722,450)
Trade payables	(183,402)

Bills payables	(63,344)
Other payables, liabilities, and provisions	(483,294)
Long term bank loans	(407,000)
	(1,859,489)

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

The 1QFY2019 results are in line with the information described in paragraph 10 of the previous results announcement.

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.

Business Update

The AC and the Board have considered various options to revive the Company. On 27 July 2018, the Company announced that the Company's wholly owned subsidiary, Zhejiang Huagang Polyester Industrial Co., Ltd. ("Zhejiang Huagang") plans to upgrade its existing production facilities and ancillary machinery and equipment for the production and sales of new Fully Drawn Yarn ("FDY") products and new Partially Oriented Yarn ("POY") products, which include Fire-Retardant POY, Nylon Filament POY, Black Yarn FDY, High shrinkage FDY and Regenerated FDY (the "Project Huagang") in response to the increased demand in the People's Republic of China and technology readiness for the production of new FDY and POY products.

In contrast with the Huaxiang Project, the Huagang Project requires relatively lesser capital to upgrade its existing production plant and machinery for its production based on the projections made by Management. The products to be produced from the Huagang Project are mainly sold to fabric manufacturers who produce: (i) environmental friendly fabric, and (ii) fire resistant fabric, pursuant to the increased demand in the PRC and technology readiness. This is a niche market where the Management believes the Company can generate a stable income.

Market Outlook

From a macro perspective, the Company believes that the market conditions in the PRC remain challenging for the next twelve months in view of the looming trade disputes between the PRC and the United States of America and the impending global tightening monetary policy. The Company expects that the PRC's economy will remain sluggish in the foreseeable future.

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/recommended, a statement to that effect and the reason(s) for the decision.

No dividend has been declared or recommended for 1QFY2019 as the Group does not have profits available for the declaration of dividend.

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.

14. Confirmation by the Board pursuant to Rule 705(5)

We, Lin Xingdi and Tham Wan Loong, Jerome, being two directors of the Company, wish to highlight that the preparation of the 1QFY2019 Results is subject to the Limitations set out in Item 5 of this announcement.

Subject to the above, we hereby confirm on behalf of the Board that, to the best of our knowledge, nothing has come to the attention of the Board which may render the financial results of the Company and the Group for the financial quarter ended 31 March 2019 to be false or misleading in any material aspect.

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers under Rule 720(1)

The Company has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

BY ORDER OF THE BOARD

China Gaoxian Fibre Fabric Holdings Ltd.
Tham Wan Loong, Jerome
Executive Director

15 May 2019

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APPENDIX G – RELEVANT EXCERPTS OF THE CONSTITUTION

The provisions in the Constitution relating to rights of Shareholders in respect of capital, dividends and voting are reproduced below.

All capitalised terms used in the following extracts shall have the same meanings ascribed to them in the Constitution and/or the Companies Act, a copy of the Constitution is available for inspection at the offices of the Company's share registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road #11-02 Singapore 068898.

(a) Rights in respect of Capital

"***SHARES***

6) Subject to the Act, no shares may be issued by the Directors without the prior approval of the Company in general meeting but subject thereto and to Articles 67 and 67(A) to (C), and to any special rights attached to any shares for the time being issued, the Directors may issue, allot or grant options over or otherwise deal with or dispose of the same to such persons on such terms and conditions and at such time as the Directors may think fit. Any such shares may be issued or with such preferential, deferred, qualified or special rights, privileges or conditions as the Directors may think fit. Preference shares may be issued which are or at the option of the Company are liable to be redeemed, the terms and manner of redemption being determined by the Directors. *Issue of shares*

Provided always that the foregoing is subject to the following:

a) the rights attaching to shares of a class other than ordinary shares shall be expressed in the resolution creating the same;

b) where the capital of the Company consists of shares of different monetary denominations, the voting rights shall be prescribed in such manner that a unit of capital in each class when reduced to a common denominator, shall carry the same voting power when such right is exercisable; and

c) while the Depository Receipts are listed and quoted on the Korea Exchange, any payment on shares shall be made by the time of issuance and any provisions in these Articles in relation to shares which are not fully paid-up shall not apply.

7) Notwithstanding anything in these Articles, a treasury share shall be subject to such rights and restrictions as may be prescribed in the Act and may be dealt with by the Company in such manner as may be permitted by, and in accordance with, the Act. For the avoidance of doubt, save as expressly permitted by the Act, the Company shall not be entitled to any rights of a Member under these Articles. While the Depository Receipts are listed and quoted on the Korea Exchange, the Company shall follow the relevant procedures and methods prescribed in the Statutes and the Listing Rules when acquiring the Depository Receipts. *Treasury shares*

8) *Without prejudice to any special rights or privileges attached to any then existing shares, any new shares may be issued upon such terms and conditions, and with such rights and privileges attached thereto, as the Company by Ordinary Resolution may direct, or, if no such direction be given, as the Directors shall determine, and in particular such shares may be issued with preferential, qualified or deferred right to dividends and in the distribution of assets of the Company, and with a special or restricted right of voting, and any preference share may be issued on the terms that it is, or at the option of the Company is, to be liable to be redeemed. The rights attached to any such shares issued upon special conditions shall be clearly defined in these Articles.* *Creation of special rights*

9) (1) *Preference shares may be issued subject to such limitation thereof as may be prescribed by law or by the Listing Rules of the Designated Stock Exchange. Preference shareholders shall have the same rights as ordinary shareholders as regards receiving of notices, reports and balance sheets and attending general meetings of the Company. Preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital or winding up or sanctioning a sale of the undertaking of the Company or where the proposal to be submitted to the meeting directly affects their rights and privileges or when the dividend on the preference shares is more than six (6) months in arrears.* *Rights attached to preference shares*

(2) *The Company has power to issue further preference capital ranking equally with, or in priority to, preference shares from time to time already issued or about to be issued.* *Issue of further preference shares*

10) *If at any time the share capital is divided into different classes, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to the provisions of the Act, whether or not the Company is being wound up, be varied or abrogated either with the consent in writing of the holders of three-quarters of the issued shares of the class or with the sanction of a Special Resolution passed at a separate general meeting of the holders of shares of the class and to every such Special Resolution the provisions of Section 184 of the Act shall with such adaptations as are necessary apply. To every such separate general meeting, the provisions of these Articles relating to general meetings shall mutatis mutandis apply.* *Variation of rights of shares*

Provided Always That:

a) *the necessary quorum shall be two persons at least holding or representing by proxy or by attorney one-third of the issued shares of the class and that any holder of shares of the class present in person or by proxy or by attorney may demand a poll, but where the necessary majority for such a Special Resolution is not obtained at the meeting, consent in writing if obtained from the holders of three-fourths of the issued shares of the class concerned within two months of the meeting shall be as valid and effectual as a Special Resolution carried at the meeting; and* *b) where all the issued shares of the class are held by one person, the necessary quorum shall be one person and such holder of shares of the class present in person or by proxy or by attorney may demand a poll.*

11) The repayment of preference capital other than redeemable preference capital or any other alteration of preference shareholders' rights, may only be made pursuant to a Special Resolution of the preference shareholders concerned. Provided Always That where the necessary majority for such a Special Resolution is not obtained at a meeting, consent in writing if obtained from the holders of three-fourths of the preference shares concerned within two (2) months of the meeting, shall be as valid and effectual as a Special Resolution carried at the meeting. *Variation of rights of preference shareholders*

12) The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall, unless otherwise expressly provided by the terms of issue of the shares of that class or by these Articles, be deemed to be varied by the creation or issue of further shares ranking equally therewith. *Issue of further shares affecting special rights*

13) If by the conditions of allotment of any shares the whole or any part of the amount of the issue price thereof shall be payable by instalments every such instalment shall, when due, be paid to the Company by the person who for the time being shall be the registered holder of the share or his personal representatives, but this provision shall not affect the liability of any allottee who may have agreed to pay the same. *Payment of instalments*

14) The Company may pay commissions or brokerage on any issue of shares at such rate or amount and in such manner as the Directors deem fit. Such commissions or brokerage may be paid in whole or in part in cash or fully or partly paid shares of the Company. The Company may, in addition to, or in lieu of, such commission, in consideration of any person so subscribing or agreeing to subscribe, or of his procuring or agreeing to procure subscriptions, for any shares in the Company, confer on any such person an option call within a specified time for a specified number of shares in the Company at a specified price or on such other terms and conditions as the Directors may deem fit. *Payment of commission*

15) Save to the extent permitted by the Statutes or the Listing Rules, no part of the funds of the Company shall, directly or indirectly, be employed in the purchase of or subscription for or making of loans upon the security of any shares (or its holding company, if any). The Company shall not, except as authorised by the Statutes or the Listing Rules, give any financial assistance for the purpose, of or in connection with, any purchase of shares in the Company (or its holding company, if any). *Company's shares as security and financial assistance*

16) Where any shares are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings or the provision of any plant which cannot be made profitable for a lengthened period, the Company may pay interest on so much of that share capital as is for the time being paid up for the period (except treasury shares), and, subject to the conditions and restrictions mentioned in the Section 78 of the Act, may charge the same to capital as part of the cost of the construction of the works or building or the provision of the plant. *Power to change interest on capital*

17) Except as required by law, no person other than the Depository shall be recognised by the Company as holding any share upon any trust and the Company shall not be bound by or compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share or any interest in any fractional part of a share or (except only as by these Articles or by law otherwise provided) any other rights in respect of any share, except an absolute right to the entirety thereof in the person (other than the Depository) entered in the Register of Members as the registered holder thereof or (where the person entered in the Register of Members as the registered holder of a share is the Depository) the person whose name is entered in the Depository Register in respect of that share. Nothing contained in this Article relating to the Depository or the Depositors or in any depository agreement made by the Company with any common depository for shares or in any notification of substantial shareholding to the Company or in response to a notice pursuant to Section 92 of the Act or any note made by the Company of any particulars in such notification or response shall derogate or limit or restrict or qualify these provisions; and any proxy or instructions on any matter whatsoever given by the Depository or Depositors to the Company or the Directors shall not constitute any notification of trust and the acceptance of such proxies and the acceptance of or compliance with such instructions by the Company or the Directors shall not constitute the taking of any notice of trust.

Company need not recognise trust

SHARE CERTIFICATE

18) Shares must be allotted and certificates despatched within ten (10) Market Days of the final closing date for an issue of shares unless the Designated Stock Exchange shall agree to an extension of time in respect of that particular issue. The Depository must despatch statements to successful investor applicants confirming the number of shares held under their Securities Accounts. Persons entered in the Register of Members as registered holders of shares shall be entitled to certificates within ten (10) Market Days after lodgement of any transfer. Every registered shareholder shall be entitled to receive share certificates in reasonable denominations for his holding and where a charge is made for certificates, such charge shall not exceed S$2/- (or such other sum as may be approved by the Designated Stock Exchange from time to time). Where a registered shareholder transfers part only of the shares comprised in a certificate or where a registered shareholder requires the Company to cancel any certificate or certificates and issue new certificates for the purpose of subdividing his holding in a different manner the old certificate or certificates shall be cancelled and a new certificate or certificates for the balance of such shares issued in lieu thereof and the registered shareholder shall pay a fee not exceeding S$2/- (or such other sum as may be approved by the Designated Stock Exchange from time to time) for each such new certificate as the Directors may determine. Where the Member is a Depositor the delivery by the Company to the Depository of provisional allotments or share certificates in respect of the aggregate entitlements of Depositors to new shares offered by way of rights issue or other preferential offering or bonus issue shall to the extent of the delivery discharge the Company from any further liability to each such Depositor in respect of his individual entitlement.

Entitlement to share certificate

19) *The retention by the Directors of any unclaimed share certificates (or stock certificates as the case may be) shall not constitute the Company a trustee in respect thereof. Any share certificate (or stock certificate as the case may be) unclaimed after a period of six (6) years from the date of issue of such share certificate (or stock certificate as the case may be) may be forfeited and if so shall be dealt with in accordance with these Articles mutatis mutandis.* *Retention of certificate*

20) *The certificate of title to shares shall be issued under the Seal in such form as prescribed by the Directors from time to time. Every certificate shall bear the autographic or facsimile signatures of at least one Director and the Secretary or some other person appointed by the Directors, and shall specify the number and class of shares to which it relates and the amount paid on the shares, the amount (if any) unpaid on the shares and the extent to which the shares are paid up. The facsimile signatures may be reproduced by mechanical or other means provided the method or system of reproducing signatures has first been approved by the Auditors of the Company. No certificate shall be issued representing more than one class of shares.* *Form of share certificate*

21) (1) *Subject to the provisions of the Act, if any share certificates shall be defaced, worn-out, destroyed, lost or stolen, it may be renewed or replaced on such evidence being produced and a letter of indemnity (if required) being given by the shareholder, transferee, person entitled, purchaser, member company of the Designated Stock Exchange or on behalf of its/their client(s) as the Directors shall require, and in the case of defacement or wearing out, on delivery of the old certificate and in any case on payment of such sum not exceeding S$2/- (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by the Designated Stock Exchange from time to time) as the Directors may from time to time require. In the case of destruction, loss or theft, the Member or person entitled to whom such renewed certificate is given shall also bear the loss and pay to the Company all expenses incidental to the investigations by the Company of the evidence of such destruction, loss or theft. While the Depository Receipts are listed and quoted on the Korea Exchange, any reissuance of Depository Receipts due to destruction, loss or theft may only be reissued pursuant to the laws and procedures relevant for reissuance of the Depository Receipts in Korea.* *Issue of replacement certificates*

(2) *When any shares under the powers in these Articles herein contained are transferred and the certificate thereof has not been delivered up to the Company by the former holder of the said shares, the Directors may issue a new certificate for such shares distinguishing it in such manner as they may think fit from the certificate not so delivered up.* *New certificate in place of one not surrendered*

JOINT HOLDERS OF SHARES

22) *Where two (2) or more persons are registered as the holders of any share, they shall be deemed to hold the same as joint tenants with benefit of survivorship subject to the following provisions:* *Joint holders deemed holding as joint tenants*

a) *The Company shall not be bound to register more than three persons as the holders of any share, except in the case of executors, trustees or administrators of the estate of a deceased Member.* *Limited to 3 joint holders*

b) *The joint holders of a share shall be liable severally as well as jointly in respect of all payments which ought to be made in respect of such share.* *Jointly and severally liable*

c) *On the death of any one of such joint holders the survivor or survivors shall be the only person or persons recognised by the Company as having any title to such share but the Directors may require such evidence of death as they may deem fit.* *Survivorship*

d) *Any one of such joint holders may give effectual receipts for any dividend payable to such joint holders.* *Receipts*

e) *Only the person whose name stands first in the Register of Members as one of the joint holders of any share shall be entitled to delivery of the certificate relating to such share or to receive notices from the Company and any notice given to such person shall be deemed notice to all the joint holders.* *Entitlement to delivery of share certificates and notice*

TRANSFER OF SHARES

23) *Subject to the restrictions of these Articles any Member may transfer all or any of his shares, but every instrument of transfer of the legal title in shares must be in writing and in the usual common form, or in any other form which the Directors and the Designated Stock Exchange may approve, and must be left at the Office for registration, accompanied by the certificate of the shares to be transferred, and such other evidence (if any) as the Directors may require to prove the title of the intending transferor, or his right to transfer the shares.* *Form of transfer*

24) *Shares of different classes shall not be comprised in the same instrument of transfer.* *Different classes of shares*

25) *The instrument of transfer of a share shall be signed by or on behalf of the transferor and the transferee, provided that an instrument of transfer in respect of which the transferee is the Depository shall not be ineffective. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register of Members in respect thereof; Provided Always That the Directors may dispense with the execution of the instrument of transfer by the transferee in any case in which they think fit in their discretion so to do.* *Transferor and transferee to execute transfer*

26) *All instruments of transfer which shall be registered shall be retained by the Company, but any instrument of transfer which the Directors may refuse to register shall (except in any case of fraud) be returned to the party presenting the same.* *Retention of transfer*

27) *No share shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind.* *Person under disability*

28) *Subject to any legal requirements to the contrary, the Company shall be entitled to destroy all instruments of transfer which have been registered at any time after the expiration of six (6) years from the date of registration thereof and all dividend mandates and notifications of change of address at any time after the expiration of six (6) years from the date of recording thereof and all share certificates which have been cancelled at any time after the expiration of six (6) years from the date of the cancellation thereof and it shall be conclusively presumed in the favour of the Company that every entry in the Register of Members purporting to have been made on the basis of an instrument of transfer or other documents so destroyed was duly and properly made and every instrument of transfer so destroyed was a valid and effective instrument duly and properly registered and every share certificate so destroyed was a valid and effective certificate duly and properly cancelled and every other document hereinbefore mentioned so destroyed was a valid and effective document in accordance with the recorded particulars thereof in the books or records of the Company PROVIDED THAT:* *Destruction of transfer*

a) the provisions aforesaid shall apply only to the destruction of a document in good faith and without notice of any claim (regardless of the parties thereto) to which the document might be relevant;

b) nothing herein contained shall be construed as imposing upon the Company any liability in respect of the destruction of any such document earlier than as aforesaid or in any circumstances which would not attach to the Company in the absence of this Article; and

c) references herein to the destruction of any document include references to the disposal thereof in any manner.

29) (1) *Subject to these Articles, the Statutes or as required by the Designated Stock Exchange, there shall be no restriction on the transfer of fully paid up shares but the Directors may in their discretion decline to register any transfer of shares upon which the Company has a lien and in the case of shares not fully paid up may refuse to register a transfer to a transferee of whom they do not approve.* *Directors' power to decline to register*

(2) The Directors may decline to recognise any instrument of transfer of shares unless:

a) a fee not exceeding S$2/- (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by any stock exchange upon which the shares may be listed) as the Director may from time to time require, is paid to the Company in respect thereof; *Payment of fee and deposit of transfer*

b) the amount of proper duty (if any) with which each instrument of transfer of shares is chargeable under any law for the time being in force relating to stamp duty is paid;

c) the instrument of transfer is deposited at the Office or such other place as the Directors may appoint and is accompanied by a certificate of payment of stamp duty (if any), the certificate of the shares to which the transfer relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer, and where the instrument is executed by some other person on his behalf, the authority of the person so to do; and

d) the instrument of transfer is in respect of only one class of shares.

All instruments of transfer which are registered may be retained by the Company, but any instrument of transfer which the Directors may decline to register shall be returned to the person depositing the same except in the case of fraud.

30) If the Directors refuse to register a transfer of any shares, they shall within ten (10) Market Days give to the transferor and to the transferee notice of their refusal to register as required by the Act. *Notice of refusal to register*

31) The Register of Members and the Depository Register may be closed at such times and for such period as the Directors may from time to time determine; Provided Always That it shall not be closed for more than thirty (30) days in any year (in aggregate) and during such periods the Directors may suspend the registration of transfers. Further Provided Always That the Company shall give prior notice of such closure to the Designated Stock Exchange (as may be required by the Listing Rules) stating the period and purpose or purposes for which the closure is to be made. While the Depository Receipts are listed and quoted on the Korea Exchange, the Company shall give at least two (2) weeks' Public Notice prior to closing the Registers of Members. *Closure of Register of Members*

32) Nothing in these Articles shall preclude the Directors from recognising a renunciation of the allotment of any share by the allottee in favour of some other person. *Renunciation of allotment*

33) Neither the Company nor its Directors nor any of its officers shall incur any liability for registering or acting upon a transfer of shares apparently made by relevant parties, although the same may, by reason of any fraud or other cause not known to the Company or its Directors or other officers, be legally inoperative or insufficient to pass the property in the shares proposed or *Indemnity against wrongful transfer* *professed to be transferred, and although the transfer may, as between the transferor and transferee, be liable to be set aside, and notwithstanding that the Company may have notice that such instrument of transfer was signed or executed and delivered by the transferor in blank as to the name of the transferee or the particulars of the shares transferred, or otherwise in defective manner. In every such case, the person registered as transferee, his executors, administrators and assigns, alone shall be entitled to be recognised as the holder of such shares and the previous holder shall, so far as the Company is concerned, be deemed to have transferred his whole title thereto.*

TRANSMISSION OF SHARES

34) In the case of the death of a registered shareholder, the survivors or survivor where the deceased was a joint holder, and the executors, trustees or administrators of the deceased where he was a sole or only surviving holder, shall be the only persons recognised by the Company as having any title to his shares, but nothing herein contained shall release the estate of a deceased shareholder from any liability in respect of any share solely or jointly held by him. *Transmission on death*

35) In the case of the death of a Depositor, the survivor or survivors, where the deceased was a joint holder, and the legal personal representatives of the deceased, where he was a sole holder and where such legal representatives are entered in the Depository Register in respect of any shares of the deceased, shall be the only persons recognised by the Company as having any title to his interests in the share; but nothing herein contained shall release the estate of a deceased Depositor (whether sole or joint) from any liability in respect of any share held by him. *Transmission on death of Depositor*

36) (1) Any person becoming entitled to a share in consequence of the death or bankruptcy of any Member or by virtue of a vesting order by a court of competent jurisdiction and recognised by the Company as having any title to that share may, upon producing such evidence of title as the Directors shall require, be registered himself as holder of the share upon giving to the Company notice in writing or transfer such share to some other person. If the person so becoming entitled shall elect to be registered himself, he shall send to the Company a notice in writing signed by him stating that he so elects. If he shall elect to have another person registered he shall testify his election by executing to that person a transfer of the share. All the limitations, restrictions and provisions of these Articles relating to the right to transfer and the registration of transfers shall be applicable to any such notice or transfer as aforesaid as if the death or bankruptcy of the Member had not occurred and the notice or transfer were a transfer executed by such Member. The Directors shall have, in respect of a transfer so executed, the same power of refusing registration as if the event upon which the transmission took place had not occurred, and the transfer were a transfer executed by the person from whom the title by transmission is derived. *Person becoming entitled on death or bankruptcy of Member may be registered*

(2) *The Directors may at any time give notice requiring any such person to elect whether to be registered himself as a Member in the Register of Members or, (as the case may be), entered in the Depository Register in respect of the share or to transfer the share and if the notice is not complied with within 60 days the Directors may thereafter withhold payment of all dividends or other moneys payable in respect of the share until the requirements of the notice have been complied with.* *Notice to register to unregistered executors and trustees*

37) *A person entitled to a share by transmission, as a consequence of the death or bankruptcy of any Member, shall have the right to receive and give a discharge for any dividends or other moneys payable in respect of the share, but he shall have no right to receive notice of or to attend or vote at meetings of the Company, or (save as aforesaid) to any of the rights or privileges of a Member in respect of the share, unless and until he shall be registered as the holder thereof; Provided Always That the Directors may at any time give notice requiring any such person to elect either to be registered himself or to transfer the share, and if the notice is not complied with within sixty (60) days the Directors may thereafter withhold payment of all dividends or other moneys payable in respect of the share until the requirements of the notice have been complied with.* *Rights of unregistered executors and trustees*

38) *There shall be paid to the Company in respect of the registration of any probate, letter of administration, certificate of marriage or death, power of attorney or other document relating to or affecting the title to any shares, such fee not exceeding S$2/-, or such other sum as may be approved by the Designated Stock Exchange from time to time, as the Directors may from time to time require or prescribe.* *Fees for registration of probate etc.*

CALLS ON SHARES

39) *The Directors may from time to time, as they think fit, make calls upon the Members in respect of any moneys unpaid on their shares or on any class of their shares and not by the conditions of the issue and allotment thereof made payable at fixed times; and each Member shall (subject to his having been given at least fourteen (14) days' notice specifying the time or times and place of payment) pay to the Company at the time or times and place so specified the amount called on his shares. A call may be made payable by instalments. A call may be revoked or postponed as the Directors may determine.* *Directors may make calls on shares*

40) *A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed.* *Time when new call made*

41) *If before or on the day appointed for payment thereof, a call payable in respect of a share is not paid, the person from whom the amount of the call is due shall pay interest on such amount at such rate not exceeding ten per cent (10%) per annum as the Directors may determine from the day appointed for payment thereof to the time of actual payment, and shall also pay all costs, charges and expenses which the Company may have incurred or become liable for in order to procure payment of or in consequence of the non-payment of such call or instalment, but the Directors shall be at liberty to waive payment of such interest, costs, charges and expenses wholly or in part.* *Interest and other late payment costs*

42) *Any sum which by the terms of issue of a share is made payable upon allotment or at any fixed date and any instalment of a call shall for all purposes of these Articles be deemed to be a call duly made and payable on the date fixed for payment and, in the case of non-payment, the provisions of these Articles as to payment of interest and expenses, forfeiture and the like and all other relevant provisions of the Statutes or of these Articles shall apply as if such sum were a call duly made and notified as hereby provided.* *Sum due on allotment or other fixed date*

43) *The Directors may on the issue of shares differentiate between the holders as to the amount of calls to be paid and the time of payment of such calls.* *Power of Directors to differentiate*

44) *The Directors may, if they think fit, receive from any Member willing to advance the same all or any part of the money uncalled and unpaid upon the shares held by him and such payments in advance of calls shall extinguish (so far as the same shall extend) the liability upon the shares in respect of which it is made, and upon the money so received or so much thereof as from time to time exceeds the amount of the calls then made upon the shares concerned, the Company may pay interest at a rate agreed between the Member paying such sum and the Directors provided that such rate may not exceed ten per cent (10%) per annum without the sanction of the Company in general meeting. Capital paid on shares in advance of calls shall not whilst carrying interest confer a right to participate in profits and until appropriated towards satisfaction of any call shall be treated as a loan to the Company and not as part of its capital and shall be repayable at any time if the Directors so decide.* *Payment in advance of calls*

FORFEITURE OF SHARES

45) *If a Member fails to pay the whole or any part of any call or instalment of a call on the day appointed for payment thereof, the Directors may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest and expenses which may have accrued by reason of such non-payment.* *Notice requiring payment of unpaid calls*

46) *The notice shall name a further day (not earlier than the expiration of seven (7) days from the date of service of the notice) on or before which the payment required by the notice is to be made. It shall also name the place where payment is to be made and shall state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.* *Notice to state time and place of payment*

47) *If the requirements of any such notice as aforesaid are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Directors to that effect.* *Forfeiture of shares for non-compliance with notice*

48) *A forfeiture of shares shall include all dividends in respect of the shares not actually paid before the forfeiture notwithstanding that they shall have been declared.* *Forfeiture to include all dividends*

49) *The Directors may accept a surrender of any share liable to be forfeited hereunder.* *Directors may accept surrender in lieu*

50) *The forfeiture or surrender of a share shall involve the extinction at the time of forfeiture or surrender of all interest in and all claims and demands against the Company in respect of the share, and all other rights and liabilities incidental to the share as between the Member whose share is forfeited or surrendered and the Company, except only such of those rights and liabilities as are by these Articles expressly saved, or as are by the Act given or imposed in the case of past Members.* *Extinction of forfeited share*

51) *Notwithstanding any such forfeiture, the Directors may, at any time before the forfeited share has been otherwise disposed of, annul the forfeiture, upon the terms of payment of all calls and interest due thereon and all expenses incurred in respect of the share and upon such further terms (if any) as they shall see fit.* *Directors may allow forfeited shares to be redeemed*

52) *A forfeited share shall become the property of the Company and may be sold, re-allotted or otherwise disposed of on such terms and in such manner as the Directors think fit and at any time before a sale or disposition, the forfeiture may be cancelled on such terms as the Directors think fit. To give effect to any such sale, re-allotment or other disposition, the Directors are empowered to or may authorise some other person to transfer the shares to the purchaser.* *Sale of forfeited shares*

53) *The Company may receive the consideration, if any, given for the share on any sale or disposition thereof and may execute a transfer of the share in favour of the person to whom the share is sold or disposed and he shall thereupon be registered as the holder of the share and shall not be bound to see to the application of the purchase money, if any, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the share.* *Company may receive consideration of sale*

54) *If any shares are forfeited and sold, any residue after the satisfaction of the unpaid calls and accrued interest and expenses, shall be paid to the person whose shares have been forfeited, or his executors, trustees, administrators or assignees or as he directs.* *Application of residue of proceeds of forfeiture*

55) *A person whose shares have been forfeited or surrendered shall cease to be a Member in respect of the forfeited shares, but shall, notwithstanding such forfeiture or surrender, remain liable to pay to the Company all moneys which at the date of forfeiture or surrender were payable by him to the Company in respect of the shares with interest thereon at the rate of ten per cent (10%) per annum (or such lower rate as the Directors may approve) from the date of the forfeiture or surrender until payment in respect of the shares; but his liability shall cease if and when the Company shall have received payment in full of all such moneys in respect of the shares. The Directors may waive payment of such interest either wholly or in part.* *Liabilities of Members whose shares forfeited*

56) *Notice of any forfeiture shall forthwith be given to the holder of the share forfeited or to the person entitled by transmission to the share forfeited as the case may be. An entry of the forfeiture with the date thereof and the fact of the notice given shall be made in the Register of Members or in the Depository Register (as the case may be) opposite the share. The provisions of this Article are directory only, and no forfeiture shall be in any manner invalidated by any omission to give such notice or to make such entry as aforesaid.* *Notice of forfeiture*

LIEN ON SHARES

57) (1) The Company shall have a first and paramount lien and charge on all the shares not fully paid up registered in the name of a Member (whether solely or jointly with others) and all dividends from time to time declared. Such lien shall be restricted to unpaid calls and instalments upon the specific shares in respect of which such moneys are due and unpaid, and to such amounts as the Company may be called upon by law to pay in respect of the shares of the Member or deceased Member. The Directors may waive any lien which has arisen and may resolve that any share shall for some limited period be exempt wholly or partially from the provisions of this Article. *Company's lien*

(2) No Member shall be entitled to receive any dividend or to exercise any privileges as a Member until he shall have paid all calls for the time being due and payable on every share held by him, whether along or jointly with any other person, together with interest and expenses (if any).

58) For the purpose of enforcing such lien, the Directors may sell all or any of the shares subject thereto in such manner as they think fit, but no sale shall be made unless some sum in respect of which the lien exists is presently payable and until a notice in writing stating the amount due and demanding payment and giving notice of intention to sell in default, shall have been served in such a manner as the Directors shall think fit on such Member or the person (if any) entitled by transmission to the shares, and default in payment shall have been made by him or them for seven (7) days after such notice. To give effect to any such sale or other disposition, the Directors are empowered or may authorise some other person to transfer the shares to the purchaser. *Sales of shares subject to lien*

59) The net proceeds of any such sale shall be applied in or towards satisfaction of the unpaid calls and accrued interest and expenses due from the Member to the Company in respect of the shares and the residue (if any) shall be paid to the person whose shares have been forfeited or his executors, administrators or assignees or as he directs; Provided Always That the Company shall be entitled to a lien upon such residue in respect of any money due to the Company but not presently payable like to that which it had upon the shares immediately before the sale thereof. *Application of proceeds of sale*

60) To give effect to any such sale, the Directors may authorise some person to transfer the shares sold to the purchaser and the Directors may enter the purchaser's name in the Register of Members as holder of the shares and the purchaser shall not be bound to see to the regularity or validity of the transfer or be affected by any irregularity or invalidity in the proceedings or be bound to see to the application of the purchase money. After his name has been entered in the Register of Members the validity of the sale shall not be impeached by any person and the remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively. *Transfer and title to shares sold*

61) *A statutory declaration in writing by a Director that a share has been duly forfeited or surrendered or sold to satisfy a lien of the Company on a date stated in the declaration shall be conclusive evidence of the facts stated therein as against all persons claiming to be entitled to the share, and such declaration and the receipt of the Company of the consideration (if any) given for the share on the sale, re-allotment or disposal thereof, together with the certificate under seal for the share delivered to a purchaser or allottee thereof, shall (subject to the execution of a transfer if the same be required) constitute a good title to the share and the person to whom the share is sold, re-allotted or disposed of shall be entered in the Register of Members as the holder of the share or (as the case may be) in the Depository Register in respect of the share and shall not be bound to see to the application of the purchase money (if any) nor shall his title to the share be affected by any irregularity or invalidity in the forfeiture, surrender, sale, re-allotment or disposal of the share.* *Statutory declaration that share duly forfeited*

CONVERSION OF SHARES INTO STOCK

62) *The Company in general meeting may convert any paid up shares into stock and may from time to time reconvert such stock into paid up shares.* *Conversion from share to stock and back to share*

63) *When any shares have been converted into stock, the several holders of such stock may transfer their respective interests therein or any part of such interests in such manner as the Company in general meeting shall direct, but in the absence of such direction, the respective interests may be transferred in the same manner and subject to the same regulations as the shares from which the stock arose would have been transferred prior to conversion or as near thereto as circumstances will admit. But the Directors may if they think fit from time to time fix the minimum number of stock units transferable.* *Transfer of stock*

64) *The holders of stock shall, according to the number of stock units held by them, have the same rights, privileges and advantages as regards dividend, return of capital, voting and other matters as if they held the shares from which the stock arose, but no such privilege or advantage (except as regards dividend and return of capital and the assets on winding up) shall be conferred by the number of stock units which would not, if existing in shares, have conferred that privilege or advantage, and no such conversion shall affect or prejudice any preference or other special privileges attached to the shares so converted.* *Rights of shock-holders*

65) *All such provisions of these Articles as are applicable to paid up shares shall apply to stock and in all such provisions the words 'share' and 'shareholder' shall include 'stock' and 'stockholder'.* *Interpretation*

ALTERATIONS OF CAPITAL

66) *Subject to any special rights for the time being attached to any existing class of shares, any new shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as the general meeting resolving upon the creation thereof shall direct, and if no direction be given, as the Directors shall determine, and in particular, such new shares may be issued with a preferential or qualified right to dividends and in the distribution of the assets of the Company and with a special or restricted right of voting.* *Rights and privileges of new shares*

Power to increase capital

67) (1) The Company may from time to time by Ordinary Resolution increase its capital by such sum to be divided into shares of such amounts as the resolution shall prescribe.

Issue of new shares

(2) Subject to any direction to the contrary that may be given by the Company in general meeting or except as permitted under the Listing Rules, all new shares shall before issue be offered to such Members as are, at the date of the offer, entitled to receive notices from the Company of general meetings in proportion, as nearly as the circumstances admit, to the amount of the existing shares to which they are entitled or hold. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares), in the opinion of the Directors, cannot be conveniently offered under this Article.

(3) Notwithstanding Article 67(2), the Company may, by way of the following resolutions at a general meeting, give to the Directors a general authority to act as prescribed in such resolutions, either unconditionally or subject to such conditions as may be specified in the relevant resolution:–

a) (i) an Ordinary Resolution at a general meeting to issue shares in the capital of the Company whether by way of rights (including renounceable and non-renounceable rights), bonus or otherwise in proportion, as nearly as the circumstances admit, to the amount of the existing shares to which such Members are entitled or hold; and/or

(ii) a Special Resolution at a general meeting to make or grant offers, agreements or options (collectively, "Instruments") to a person other than a Member and/or to Member(s) other than in accordance with (i) above that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares; Provided, that in such case, it shall be limited to the case necessary for the achievement of the Company's operational objectives, such as introduction of new technology, improvement of financial structures, etc.); and

b) notwithstanding that the authority conferred by such resolution may have ceased to be in force, the Directors may issue shares in pursuance of any Instrument made or granted while the relevant resolution was in force, *provided that:–*

(1) the aggregate number of shares to be issued pursuant to the relevant resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to the relevant resolution) shall be subject to such limits and manner of calculation as may be prescribed by the Designated Stock Exchange;

(2) in exercising the authority conferred by the relevant resolution, the Company shall comply with the provisions of the Listing Rules of the Designated Stock Exchange for the time being in force (including supplemental measures thereto) (unless such compliance is waived by the Designated Stock Exchange) and these Articles;

(3) (unless revoked or varied by the Company in General Meeting) the authority conferred by the Ordinary Resolution shall not continue in force beyond the conclusion of the Annual General Meeting of the Company next following the passing of the Ordinary Resolution, or the date by which such Annual General Meeting of the Company is required by law to be held, or the expiration of such other period as may be prescribed by the Act (whichever is the earliest); and

(4) the subscriber(s) for such new shares shall not pay the subscription consideration by way of setting-off any claims of the subscriber(s) against the Company or any other right of the subscriber(s) to receive money from the Company.

67A) When the Company issues new shares, the Company shall designate a separate account to: (i) receive the payment for the subscription consideration from the subscriber; and (ii) keep such subscription consideration for the new shares until the completion of the issuance of the new shares. The Company shall notify subscribers of relevant information about such designated account prior to the payment of subscription consideration and shall not change such designation without a separate notice of change prior to the payment of subscription consideration by the subscribers. *Separate account for subscription consideration*

67B) If the subscriber fails to fully pay the subscription consideration for the shares which it has subscribed for, the Directors of the Company may dispose of those shares in such manner that it deems appropriate. *Disposal of shares if fails to pay fully*

67C) (1) A subscriber who intends to satisfy the subscription consideration by making an in-kind contribution shall deliver to the Company all necessary documents and evidences which are necessary and sufficient enough for the title of such in-kind contribution to be transferred to the Company clear of all encumbrances and restrictions on or before the payment date of the subscription consideration for the new shares. *Subscription by making in-kind contribution*

(2) The Directors of the Company shall require the subscriber making an in-kind contribution to provide the Company with a fair valuation report of such contribution which is made and duly signed by an independent appraiser with good reputation and qualifications who is duly permitted to act as an appraiser. The Directors shall exercise prudent inspection with necessary duty of care on the fairness of such valuation. The Directors shall not accept any in-kind contribution: (i) if the subscriber cannot provide such fair value estimation satisfactory to the Directors; or (ii) if the Directors has any reasonable doubt with regard to the independence, trustworthiness, reputation, prudence, qualification or competence of the appraiser; or (iii) if the Directors has any reasonable doubt with regard to the fairness of the valuation, adequacy of the valuation method, any underlying assumption, forecasting or any basis for such valuation.

(3) The failure of the Directors or the Company to satisfy the requirements of paragraph (1) or (2) above shall constitute the failure of the Directors or the Company to satisfy the requirement of the issuance of new shares under these Articles, and in such an event, the Member(s) shall have the right to seek statutory or equitable remedies through a competent court, which remedies shall include, without limitation, any injunction or specific performance appropriate for the correction of the unfairness or prevention of damage to the Members.

68) Notwithstanding Article 67 above but subject to the Act, the Directors shall not be required to offer any new shares to Members to whom by reason of foreign securities laws or regulations such offers may not be made without registration of the shares or a prospectus or other document or other restrictions under foreign securities laws or regulations or considerations as the Directors may take into account, but may sell the entitlements to the new shares on behalf of such Members in such manner as they think most beneficial to the Company. For the avoidance of doubt, the expression "foreign securities laws or regulations" used in this Article refers to such securities laws or regulations other than that of Singapore, Korea and/or the Designated Stock Exchange.

Capital raised deemed original capital

69) Subject to any directions that may be given in accordance with the powers contained in the Memorandum of Association of the Company or these Articles, any capital raised by the creation of new shares shall be considered as part of the original capital and as consisting of ordinary shares and shall be subject to the same provisions with reference to the payment of calls, transfer, transmission, forfeiture, lien and otherwise as if it had been part of the original capital.

Power to consolidate, cancel and sub-divide shares

70) (1) The Company may by Special Resolution:

a) consolidate and divide all or any of its shares;

b) subdivide its shares or any of them (subject nevertheless to the provisions of the Act) provided always that in such subdivision the proportion between the amount paid and the amount (if any) unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived;

c) *cancel any shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken, by any person and diminish the amount of its capital by the amount of the shares so cancelled;*

d) *subject to the provisions of these Articles and the Act, convert any class of shares into any other class of shares; or*

e) *subject to the provisions of these Articles and the Act, reduce its share capital.*

(2) *Subject to and in accordance with the provisions of the Act, the Listing Rules of the Designated Stock Exchange and any applicable legislation or regulation, the Company may authorise the Directors in general meeting to purchase or otherwise acquire ordinary shares, stocks, preference shares, options, debentures, debenture stocks, bonds, obligations, securities, and all other equity, derivative, debt and financial instruments issued by it on such terms as the Company may think fit and in the manner prescribed by the Statutes and the Listing Rules. The Company may deal with any such share which is so purchased or acquired by the Company in such manner as may be permitted by, and in accordance with, the Statutes and the Listing Rules (including without limitation, to hold such share as a treasury share).* *Power to purchase or acquire shares*

(3) *Subject to and in accordance with the provisions of the Statutes, the Listing Rules of the Designated Stock Exchange and any applicable legislation or regulation, the Company may authorise the Directors in general meeting to purchase or otherwise acquire the Depository Receipts on such terms as the Company may think fit and in the manner prescribed by the Statutes, the Listing Rules and applicable legislation or regulation. Any Depository Receipt which is so purchased or acquired by the Company shall be held by the Company (to be sold or otherwise dealt with at a later date) or converted into shares in accordance with the Statutes, the Listing Rules and applicable legislation or regulation.* *Power to purchase or acquire Depository Receipts*

71) *The Company may reduce its share capital or any undistributable reserve in any manner, subject to any requirements and consents required by law. Without prejudice to the foregoing, upon cancellation of shares purchased or otherwise acquired by the Company pursuant to these Articles and the Act, the number of issued shares of the Company shall be diminished by the number of shares so cancelled, and where any such cancelled shares were purchased or acquired out of the capital of the Company, the amount of the share capital of the Company shall be reduced accordingly.*" *Reduction of share capital*

(b) Rights in respect of Voting

"*GENERAL MEETINGS*

72) The Company shall in each calendar year hold a general meeting as its annual general meeting in addition to any other meetings in that year and shall specify the meeting as such in the notices calling it. Not more than fifteen (15) months shall elapse between the date of one annual general meeting and that of the next and an annual general meeting shall not be held later than three months following the close of the financial year (or such period as may be prescribed by the Designated Stock Exchange from time to time). The annual general meeting shall be held at such time and place as the Directors shall determine. *Annual general meetings*

73) All general meetings other than annual general meetings shall be called extraordinary general meetings. *Extraordinary general meetings*

74) (1) The Directors may whenever they think fit convene an extraordinary general meeting. An extraordinary general meeting shall also be convened on the requisition of either: (i) one or more Members holding as of the date of the deposit of the requisition not less than three per cent (3%) of the paid-up capital as at the date of the deposit carries the right to vote at general meetings; (ii) requisition by the internal auditor with a statement containing the purpose and reason for holding such meeting which Directors determine that general meeting is necessary; or (iii) order by court of competent jurisdiction, and the Directors shall upon such requisition immediately proceed to convene an extraordinary general meeting of the Company to be held as soon as practicable but in any case not later than two months after the receipt by the Company of the requisition. *Calling for extraordinary general meetings*

(2) One or more Members holding, as at the date of the proposal, not less than three (3%) of the paid-up share capital as at the date of the proposal carries the right to vote at general meetings, may propose an agenda for a general meeting.

75) The time and place of any meeting shall be determined by the convenors of the meeting. *Time and place of meeting*

NOTICE OF GENERAL MEETING

76) Any general meeting at which it is proposed to pass Special Resolutions or a resolution of which special notice has been given to the Company pursuant to the Act, shall be called by at least twenty-one (21) clear days' notice in writing. An annual general meeting or any other general meeting shall be called by at least fourteen (14) clear days' notice in writing. The notice must specify the place, the day and the hour of the meeting, and the purpose and the agenda of the meeting and in the event a Director or internal auditor is to be appointed, details of the nominees for the relevant position. Such notice shall be given in the manner hereinafter mentioned to such persons as are under the provisions of these Articles entitled to receive notices of general meetings from the Company, but with the consent of all *Length of notice* *Contents of notice* *persons for the time being entitled as aforesaid, a meeting may be convened in such manner as such persons may approve. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given.*

Subject to the provisions of the Act, notwithstanding that it has been called by a shorter notice than that specified above, a general meeting shall be deemed to have been duly called if it is agreed: *Shorter notice*

a) in the case of an annual general meeting by all the Members entitled to attend and vote thereat; and

b) in the case of an extraordinary general meeting by a majority in number of the Members having a right to attend and vote thereat, being a majority together holding not less than ninety-five per cent (95%) of the total voting rights of all the Members having a right to vote at that meeting.

Provided also that the accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the proceedings at the meeting. *Accidental omission*

So long as the shares of the Company are listed on the Designated Stock Exchange, at least fourteen (14) days' notice of every general meeting shall be given by advertisement in the daily press in Singapore and in writing to the Designated Stock Exchange, provided that in the case of any general meeting at which it is proposed to pass a Special Resolution, at least twenty-one (21) days' notice in writing of such general meeting shall be given to the Designated Stock Exchange. Furthermore, while the Depository Receipts are listed and quoted on the Korea Exchange, the purpose and the agenda of the proposed general meeting shall be advertised at least one day prior to the relevant notice period specified in the foregoing in at least two Korean daily newspapers and shall be notified in writing to the Korea Securities Depository.

77) Notice of every general meeting shall be given in any manner authorised by these Articles to: *To whom notice is to be given*

a) every Member holding shares conferring the right to attend and vote at the meeting who at the time of the convening of the meeting shall have paid all calls or other sums presently payable by him in respect of shares;

b) every person entitled to a share in consequence of the death or bankruptcy or otherwise of a Member who but for the same would be entitled to receive notice of the meeting;

c) every Director;

d) the Auditors of the Company, without prejudice to Article 183; and

e) the Designated Stock Exchange.

No other person shall be entitled to receive notices of general meetings; Provided Always That if the meeting is called for the alteration of the objects of the Company, the notice shall comply with the provisions of Section 33 of the Act regarding notices to debenture holders.

78) There shall appear with reasonable prominence in every such notice a statement that a Member entitled to attend and vote is entitled to appoint a proxy to attend and to vote instead of him and that a proxy need not be a Member. *Notice to state that Member can appoint proxy*

79) All business shall be deemed special that is transacted at an extraordinary general meeting and also all that is transacted at an annual general meeting with the exception of the consideration of the accounts, balance sheets and reports (if any) of the Directors and Auditor of the Company, the election of Directors in place of those retiring by rotation or otherwise, the fixing of the remuneration of Directors, the declaration of dividends, and the appointment of and the fixing of the remuneration of the Auditor of the Company, which shall be deemed routine business. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. *All business deemed special business*

80) In the case of any general meeting at which business other than routine business is to be transacted (special business), the notice shall specify the general nature of the special business, and if any resolution is to be proposed as a Special Resolution or as requiring special notice, the notice shall contain a statement to that effect. *Notice to specify nature of special business*

MATTERS TO BE APPROVED BY SPECIAL RESOLUTION

80A) Without prejudice to the Listing Rules of each Designated Stock Exchange and the Statutes, the following matters shall be approved only by Special Resolution of the Company: *Special Resolution*

a) alteration of any provisions (including any change to the existing objects) of the Memorandum of Association of the Company;

b) alteration of any provisions in the Articles of Association of the Company;

c) change of the name of the Company;

d) (while the Depository Receipts are listed and quoted on the Korea Exchange) purchase of the Company's issued shares or the Depository Receipts (other than such purchase by tender offer or on the market operated by the Designated Stock Exchange pursuant to the Listing Rules);

e) arrangement of comprehensive share swap or share transfer with another company or shareholders of another company, which causes a comprehensive change of the shareholding structure of the Company (or the approval of any contract for such arrangement);

f) *arrangement for division or spin-off or split-off of any part of the Company, the Company's business or the Company's assets and/or debts;*

g) *arrangement with other company or any shareholder thereof, which shall cause a comprehensive change of the shareholding structure of the Company as a result of consolidation or merger by which (i) the legal entity of the relevant companies shall be consolidated into one company or (ii) the legal entity of the Company shall be terminated and the shareholders of the Company shall be the shareholder of other company (or the approval of any contract for such arrangement);*

h) *voluntary winding up of the Company and the approval of the appointment of liquidator resulting therefrom;*

i) *in relation to the subsidiaries of the Company, any action of the Company or the Directors which causes the change of the articles of association, company form, disposal, liquidation or winding-up of the subsidiary or which results in any merger of the subsidiary with another company or which causes any split or spin-off (spin-up) of the subsidiary or any arrangement of comprehensive share swap or share transfer which may cause a comprehensive change of the shareholding structure of the subsidiary, as described in sub-paragraph (e) above;*

j) *entrustment of the management conduct of the Company to a person other than the Directors;*

k) *disposal or transfer of the whole or any material part of the assets of the Company or of any subsidiary of the Company to another person;*

l) *(i)* *acquisition of the whole or any material part of the business of another person by the Company or any subsidiary of the Company, or*

(ii) *transfer of the whole or any material part of the business of the Company or any subsidiary of the Company to another person, or*

(iii) *acquisition of any part of the business of any person, by the Company or the subsidiary of the Company, which may have a material effect on the business of the Company or such subsidiary;*

m) *any action of the Company or the Directors in relation to the disposal of shares of subsidiary held by the Company;*

n) *establishment of a new company for the purpose of acquiring a new subsidiary;*

o) *acquisition of shares or other securities convertible into shares of another company which are no less than fifty (50%) of the aggregate equity shares or securities convertible into shares of such company;*

p) *any action of the Company or the Directors (regardless of whether such action is taken by way of exercising the shareholder's right as the shareholder of the subsidiary or by way of exercising actual control, directly or indirectly, upon the subsidiary) which procures the subsidiary or the board or any managing entity of such subsidiary to issue and allot shares or securities convertible into shares of the subsidiary (i) to the existing shareholders of such subsidiary, not in proportion to each shareholder's existing shareholding ratio, or (ii) to a person other than the existing shareholders of such subsidiary; and*

q) *lending of the assets of the subsidiary of the Company to a third party or provision of such assets as collateral for a third party.*

PROCEEDINGS AT GENERAL MEETINGS

81) *No business other than the appointment of a chairman shall be transacted at any general meeting unless a quorum of Members is present at the time when the meeting proceeds to business. Except as herein otherwise provided, two (2) Members present in person shall form a quorum. For the purposes of this Article, 'Member' includes a person attending as a proxy and a corporation being a Member shall be deemed to be personally present if represented in accordance with the provisions of Section 179(3) of the Act. Provided that (i) a proxy representing more than one Member shall only count as one Member for the purpose of determining the quorum; and (iii) where a Member is represented by more than one proxy such proxies shall count as only one Member for the purpose of determining the quorum.* *Quorum*

82) *If within half an hour from the time appointed for the holding of a general meeting a quorum is not present, the meeting if convened on the requisition of Members shall be dissolved. In any other case, it shall stand adjourned to the same day in the next week at the same time and place or to such other day and at such other time and place as the Directors may determine, and if at such adjourned meeting a quorum is not present within half an hour from the time appointed for holding the meeting, the meeting shall be dissolved.* *Adjournment if quorum not present*

83) *The Chairman of the Board or, in his absence, the Deputy Chairman (if any) shall preside as Chairman at every general meeting, but if there be no such Chairman or Deputy Chairman, or if at any meeting he shall not be present within fifteen (15) minutes after the time appointed for holding the same, or shall be unwilling to act as Chairman, the Members present shall choose some Director, or if no Director be present, or if all the Directors present decline to take the chair, one of themselves to be Chairman of the meeting.* *Chairman*

84) *The Chairman of the meeting may, with the consent of any meeting at which a quorum is present, and shall, if so directed by the meeting, adjourn the meeting from time to time and from place to place (or sine die), but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. Where a meeting is adjourned sine die, the time and place for the adjourned meeting shall be fixed by the Directors. When a meeting is adjourned for fourteen (14) days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid it shall not be necessary to give notice of an adjournment or of the business to be transacted at an adjourned meeting.* *Adjournment by Chairman*

85) *At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless, subject to Article 89, a poll is demanded either before or on the declaration of the result by the show of hands:* *Method of voting*

a) *by the Chairman of the meeting; or*

b) *by at least two Members present in person or by proxy (where a Member has appointed more than one proxy, any one of such proxies may represent that Member) or attorney or in the case of a corporation by a representative, and entitled to vote thereat; or*

c) *by any Member or Members present in person or by proxy (where a Member has appointed more than one proxy, any one of such proxies may represent that Member) or attorney or in the case of a corporation by a representative or any number or combination of such Members, holding or representing not less than one-tenth of the total voting rights of all the Members having the right to vote at the meeting; or*

d) *by any Member or Members present in person or by proxy (where a Member has appointed more than one proxy, any one of such proxies may represent that Member) or attorney or in the case of a corporation by a representative or any number or combination of such Members, holding or representing shares conferring a right to vote at the meeting, being shares on which an aggregate sum has been paid up equal to not less than ten per cent (10%) of the total sum paid up on all the shares conferring that right.*

Unless a poll is so demanded (and the demand is not withdrawn) a declaration by the Chairman that a resolution has been carried or carried unanimously or by a particular majority or lost and an entry to that effect in the minute book shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution. A demand for a poll may be withdrawn. While the Depository Receipts are listed and quoted on the Korea Exchange, a resolution of Shareholders may only be passed by way of poll.

86) *In the case of an equality of votes whether on a show of hands or on a poll as aforesaid, the Chairman shall not be entitled to a second or casting vote in addition to the vote or votes to which he may be entitled as a Member or as a proxy of a Member.* *Equality of votes*

87) *If a poll is demanded as aforesaid, it shall be taken in such manner and at such time and place as the Chairman of the meeting directs and either at once or after an interval or adjournment or otherwise and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. No notice need be given of a poll not taken at once. In case of any dispute as to the admission or rejection of a vote, the Chairman shall determine the same and such determination made in good faith shall be final and conclusive.* *Time for taking a poll*

88) *If a poll is duly demanded (and the demand is not withdrawn) it shall be taken in such manner (including the use of ballot or voting papers or tickets) as the Chairman may direct and the result of such a poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The Chairman may, and if so requested shall, appoint scrutineers and may adjourn the meeting to some place and time fixed by him for the purpose of declaring the result of the poll.* *Method of taking poll*

89) *The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which a poll has been demanded.* *Continuance of business*

90) *No poll shall be demanded on the election of a Chairman of a meeting or on a question of adjournment.* *No poll*

91) *If at any general meeting any votes shall be counted which ought not to have been counted or might have been rejected, the error shall not vitiate the result of the vote unless it is pointed out at the same meeting, and is in the opinion of the Chairman of sufficient magnitude to vitiate the result of the voting.* *Error in counting votes*

92) *The Members may, if the Directors at their absolute discretion deem fit, participate at a general meeting by telephone or video conference or by means of similar communication equipment whereby all persons participating in the meeting are able to hear and, if applicable, see each other and such participation shall constitute presence in person at such meeting and Members (or their proxy or, in the case of a corporation, their respective corporate representatives) so participating shall be counted in the quorum for the meeting. Such a meeting shall be deemed to take place where the largest group of Members (or their proxy, or in the case of a corporation, their respective corporate representatives) present for purposes of the meeting is assembled or, if there is no such group, where the Chairman of the meeting is present.* *Meetings via electronic means*

VOTES OF MEMBERS

93) (1) *Subject and without prejudice to any special privileges or restrictions as to voting for the time being attached to any special class of shares for the time being forming part of the capital of the Company, each Member entitled to vote may vote in person or by proxy or attorney, and (in the case of a corporation) by a representative. A person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.* *Voting rights of members*

(2) *On a show of hands every Member who is present in person or by proxy or attorney, or in the case of a corporation by a representative, shall have one vote provided that if a Member is represented by two proxies, without prejudice to specific terms of Article 98 only one of the two proxies as determined by their appointor shall vote on a show of hands and in the absence of such determination, only one of the two proxies as determined by the Chairman (or by a person authorised by him) shall vote on a show of hands and on a poll, every Member who is present in person or by proxy, attorney or representative shall have one vote for each share which he holds or represents.*

(3) Notwithstanding anything contained in these Articles, a Depositor shall not be entitled to attend any general meeting and to speak and vote thereat unless his name is certified by the Depository to the Company as appearing on the Depository Register not later than 48 hours before that general meeting (the 'cut-off time') as a Depositor on whose behalf the Depository holds shares. For the purpose of determining the number of votes which a Depositor or his proxy may cast on a poll, the Depositor or his proxy shall be deemed to hold or represent that number of shares entered in the Depositor's Securities Account at the cut-off time as certified by the Depository to the Company, or where a Depositor has apportioned the balance standing to his Securities Account as at the cut-off time between two proxies, to apportion the said number of shares between the two proxies in the same proportion as specified by the Depositor in appointing the proxies; and accordingly no instrument appointing a proxy of a Depositor shall be rendered invalid merely by reason of any discrepancy between the number of shares standing to the credit of that Depositor's Securities Account as at the cut-off time, and the true balance standing to the Securities Account of a Depositor as at the time of the relevant general meeting, if the instrument is dealt with in such manner as aforesaid.

94) If any Member be a lunatic, idiot or non compos mentis he may vote by his committee, curator bonis or other legal curator and such last mentioned persons may give their votes by proxy, but no person claiming to vote pursuant to this Article shall do so unless such evidence as the Directors may require of his authority shall have been deposited at the Office not less than forty-eight (48) hours before the time for holding the meeting at which he wishes to vote.

Voting rights of Members of unsound mind

95) If two (2) or more persons are jointly entitled to a share then in voting upon any question, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other registered holders of the share and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members or the Depository Register (as the case may be). Several executors or administrators of a deceased Member in whose name any share stands shall for the purpose of this Article be deemed joint holders thereof.

Voting rights of joint holders

96) Save as expressly provided herein or in the Act, no person other than a Member duly registered, and only in respect of shares upon which all calls due to the Company have been paid, shall be entitled to be present or to vote on any question, either personally or by proxy, attorney or representative at any general meeting.

Right to vote

97) Any instrument appointing a proxy shall be in writing in the common form approved by the Directors under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, under seal or under the hand of its attorney duly authorised and the Company shall accept as valid in all respects the form of proxy approved by the Directors for use at the date relevant to the general meeting in question. The instrument appointing a proxy shall be deemed to confer authority generally to act at the meeting for the Member giving the proxy.

Instrument of proxy

98) (1) *A Member may not appoint more than two proxies to attend and vote at the same general meeting. A proxy or attorney need not be a Member.* *Appointment of proxies*

(2) *If the Members is a Depositor, the Company shall be entitled:*

a) *to reject any instrument of proxy lodged if the Depositor is not shown to have any shares entered in its Securities Account as at the cut-off time (as defined in Article 93(3)) as certified by the Depository to the Company; and*

b) *to accept as validly cast by the proxy or proxies appointed by the Depositor on a poll that number of votes which corresponds to or is less than the aggregate number of shares entered in the Securities Account of that Depositor as at the cut-off time as certified by the Depository to the Company, whether that number is greater or smaller than the number specified in any instrument of proxy executed by or on behalf of that Depositor.*

(3) *Where a Member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy. If no such proportion or number is specified the first named proxy may be treated as representing 100% of the shareholding and any subsequent named proxy as an alternate to the earlier named.*

(4) *Voting right(s) attached to any shares in respect of which a Member has not appointed a proxy may only be exercised at the relevant general meeting by the Member personally or by his attorney, or in the case of a corporation by its representative.*

(5) *Where a Member appoints a proxy in respect of more shares than the shares standing to his name in the Register of Members, or in the case of a Depositor, standing to the credit of his Securities Account, such proxy may not exercise any of the votes or rights of shares not registered to the name of that Member in the Register of Members or standing to the credit of that Depositor's Securities Account as the case may be, as at the cut-off time.*

99) *An instrument appointing a proxy shall, unless the contrary is stated thereon, be valid as well for any adjournment of the meeting as for the meeting to which it relates and need not be witnessed.* *Instrument appointing proxy valid at adjourned meeting*

100) *The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority shall be deposited at the Office or at such other place within Singapore as is specified for that purpose in the notice convening the meeting at least forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting as the case may be; otherwise the person so named shall not be entitled to vote in respect thereof unless the Directors otherwise determine.* *Deposit of instrument of proxy*

101) *Unless otherwise directed by the Chairman of the meeting, a vote given in accordance with the terms of an instrument of proxy shall be treated as valid notwithstanding the previous death or insanity of the principal or revocation of the proxy or of the authority under which the proxy was executed or the transfer of the share in respect of which the proxy is given; Provided Always That no intimation in writing of such death, insanity, revocation or transfer as aforesaid shall have been received by the Company at the Office before the commencement of the meeting or adjourned meeting at which the proxy is used.* *Intervening death or insanity of Member*

102) *Any corporation which is a Member may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of Members and the persons so authorised shall be entitled to exercise the same powers on behalf of the corporation as the corporation could exercise if it were an individual Member. The Company shall be entitled to treat a certificate under the seal of the corporation as conclusive evidence of the appointment or revocation of appointment of a representative under this Article.* *Corporations acting via representative*

103) *No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the Chairman of the meeting whose decision as to its validity shall be final and conclusive.*" *Objections*

(c) Rights in respect of Dividends

"***DIVIDENDS AND RESERVES***

160) *Subject to any rights or restrictions attached to any shares or class of shares and except as otherwise permitted by the Act, (a) all dividends shall be declared and paid in proportion to the number of shares held by a Member but where shares are partly paid all dividends must be apportioned and paid proportionately to the amounts paid or credited as paid on the partly paid shares; and (b) all dividends shall be apportioned and paid proportionately to the amounts so paid or credited as paid during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms providing that it shall rank for dividend as from a particular date such share shall rank for dividend accordingly. For the purposes of this Article, no amount paid or credited as paid on a share in advance of a call shall be treated as paid on the share.* *Apportionment of dividends*

161) *The Directors may, from time to time, set aside out of the profits of the Company and carry to reserve, such sum or sums as they think proper which shall, at the discretion of the Directors, be applicable for meeting contingencies, for the gradual liquidation of any debt or liability of the Company, for repairing or maintaining any works connected with the business of the Company, for equalising dividends, for distribution by way of special dividend or bonus or for any other purpose to which the profits of the Company may properly be applied and pending such application, may either be employed in the business of the Company or be invested. The Directors* *Power to set aside profits as reserve*

may divide the reserve fund into such special funds or any parts of any special funds into which the reserve may have been divided. The Directors may also, without placing the same to reserve, carry forward any profits which they may think prudent not to divide.

162) The Directors may, with the sanction of an Ordinary Resolution at a general meeting, from time to time declare dividends, but no such dividend shall (except as by the Statutes expressly authorised) be payable otherwise than out of the profits of the Company. Such Ordinary Resolution and resolution of the Directors declaring dividends shall specify that the dividend will be payable in accordance with the respective registered holdings of the Members as determined pursuant to these Articles. No higher dividend shall be paid than is recommended by the Directors and a declaration by the Directors as to the amount of the profits at any time available for dividends shall be conclusive. The Directors may, if they think fit, and if in their opinion the profits of the Company justifies such payment, without any such sanction as aforesaid, from time to time declare and pay fixed preferential dividends on any class of shares carrying a fixed preferential dividend expressed to be payable on a fixed date on the half-yearly or other dates (if any) prescribed for the payment thereof by the terms of issue of the shares, and may also from time to time pay to the holders of any class of shares interim dividends of such amounts and on such dates as they may think fit.

Declaration and payment of dividends

163) With the sanction of an Ordinary Resolution at a general meeting, dividends may be paid wholly or in part in specie, and may be satisfied in whole or in part by the distribution amongst the Members in accordance with their rights of fully paid shares, stock or debentures of any other company, or of any other property suitable for distribution as aforesaid. The Directors shall have full liberty to make all such valuations, adjustments and arrangements, and to issue all such certificates or documents of title as in their opinion may be necessary or expedient. In particular, they may issue fractional certificates and fix the value for distribution of such specific assets, or any part thereof, and may determine that cash payments shall be made to any Members in terms of the value so fixed, in order to adjust the rights of all parties. The Directors may vest any such specific assets in trustees as may seem expedient to the Directors and no valuation, adjustment or arrangement so made shall be questioned by any Member.

Payment of dividends in specie

164) (1) Whenever the Directors or the Company in general meeting have resolved or proposed that a dividend (including an interim, final, special or other dividend) be paid or declared on the ordinary share capital of the Company, the Directors may further resolve that members entitled to such dividend be entitled to elect to receive an allotment of ordinary shares credited as fully paid in lieu of cash in respect of the whole or such part of the dividend as the Directors may think fit. In such case, the following provisions shall apply:

Scrip Dividends

a) the basis of any such allotment shall be determined by the Directors;

b) *the Directors shall determine the manner in which Members shall be entitled to elect to receive an allotment of ordinary shares credited as fully paid in lieu of cash in respect of the whole or such part of any dividend in respect of which the Directors shall have passed such a resolution as aforesaid. The Directors may make such arrangements as to the giving of notice to Members, providing for forms of election for completion by Members (whether in respect of a particular dividend(s) or generally), determining the procedure for making such elections or revoking the same and the place at which and the latest date and time by which any forms of election or other documents by which elections are made or revoked must be lodged, and otherwise make all such arrangements and do all such things, as the Directors consider necessary or expedient in connection with the provisions of this Article;*

c) *the right of election may be exercised in respect of the whole of that portion of the dividend in respect of which the right of election has been accorded, provided that the Directors may determine, either generally or in specific cases, that such right shall be exercisable in respect of the whole or any part of that portion; and*

d) *the dividend (or that part of the dividend in respect of which a right of election has been accorded) shall not be payable in cash on ordinary shares in respect of which the share election has been duly exercised (the "elected ordinary shares") and in lieu of cash and in satisfaction thereof ordinary shares shall be allotted and credited as fully paid to the holders of the elected ordinary shares on the basis of allotment determined as aforesaid. For such purpose, and notwithstanding the provisions of Article 173, the Directors shall (i) capitalise and apply the amount standing to the credit of any of the Company's reserve accounts or any sum standing to the credit of the profit and loss account or otherwise available for distribution as the Directors may determine, such sums as may be required to pay up in full (to the nominal value thereof) the appropriate number of ordinary shares for allotment and distribution to and among the holders of the elected ordinary shares on such basis, or (ii) apply the sum which would otherwise have been payable in cash to the holders of the elected ordinary shares towards payment of the appropriate number of ordinary shares for allotment and distribution to and among the holders of the elected ordinary shares on such basis.*

Ranking of shares and other actions

(2) *(a)* *The ordinary shares allotted pursuant to the provision of paragraph (1) of this Article shall rank pari passu in all respects with the ordinary shares then in issue save only as regards participation in the dividend which is the subject of the election referred to above (including the right to make the election referred to above) or any other distributions, bonuses or rights paid, made, declared or announced prior to or contemporaneous with the payment or declaration of the dividend which is the subject of the election referred to above, unless the Directors shall otherwise specify.*

(b) The Directors may do all acts and things considered necessary or expedient to give effect to any capitalisation pursuant to the provisions of paragraph (1) of this Article, with full power to make such provisions as they may think fit in the case of fractional entitlements to shares (including, notwithstanding any provision to the contrary in these presents, provisions whereby, in whole or in part, fractional entitlements are disregarded or rounded up or down, or whereby the benefit of fractional entitlements accrues to the Company rather than the Members).

(3) The Directors may, on any occasion when they resolve as provided in paragraph (1) of this Article, but subject to any restrictions under the Statutes and the Listing Rules, determine that the rights of election under that paragraph shall not be made available to the persons who are registered as holders of ordinary shares in the Register of Members or (as the case may be) in the Depository Register, or in respect of ordinary shares the transfer of which is registered, after such date as the Directors may fix subject to such exceptions as the Directors think fit and, in such event, the provisions of this Article shall be read and construed subject to such determination. *Record date*

(4) The Directors may, on any occasion when they resolve as provided in paragraph (1) of this Article, but subject to the Statutes and the Listing Rules, further determine that no allotment of shares or rights of election for shares under that paragraph shall be made available or made to a Member whose registered addresses entered in the Register of Members (or as the case may be) the Depository Register is outside Singapore or to such other Members or class of Members as the Directors may in their sole discretion decide and, in such event, the only entitlements of the Members aforesaid shall be to receive in cash the relevant dividend resolved or proposed to be paid or declared. *Cash in lieu of shares*

(5) Notwithstanding the foregoing provisions of this Article, if at any time after the Directors' resolution to apply the provisions of paragraph (1) of this Article in relation to any dividend but prior to the allotment of ordinary shares pursuant thereto, the Directors shall consider that, by reason of any event or circumstances (whether arising before or after such resolution) or by reason of any matter whatsoever, it is no longer expedient or appropriate to implement that proposal, the Directors may at their absolute discretion and as they deem fit in the interests of the Company, cancel the proposed application of paragraph (1) of this Article. *Cancellation*

165) No shareholder shall be entitled to receive any dividend or to be present or vote at any meeting or upon a poll, or to exercise any privilege as a Member until he shall have paid all calls for the time being due and payable on every share held by him, whether alone or jointly with any other person, together with interest and expenses (if any). *No right to dividends where calls outstanding*

166) The Directors may deduct from any dividend or other moneys payable to a Member in respect of any share held by such Member, either alone or jointly with any other Member, any or all sums of money as may be due and payable by him, either alone or jointly with any other person in respect of any debts, liabilities or engagements to the Company on account of calls or otherwise towards satisfaction (in whole or in part) of such debts, liabilities or engagements, or any other account which the Company is required by law to deduct. *Deduction from debts due to Company*

167) A transfer of a share shall not pass the right to any dividend declared in respect thereof before the transfer has been registered. *Effect of transfer of shares*

168) The Directors may retain any dividend or other moneys payable on or in respect of a share on which the Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. *Retention of dividends on shares subject to lien*

169) The Directors may retain the dividends payable on shares in respect of which any person is under these Articles, as to the transmission of shares, entitled to become a Member, or which any person under these Articles is entitled to transfer, until such person shall become a Member in respect of such shares or shall duly transfer the same. *Retention of dividends on shares pending transmission*

170) Any dividend or other moneys payable in cash in respect of a share may be paid by cheque or warrant sent through the post to the registered address of the Member or person entitled thereto (or, if several persons are registered as joint holders of the share or are entitled thereto in consequence of the death or bankruptcy of the holder, to any one of such persons) or to such person and such address as such persons may in writing direct. Provided that where the Member is a Depositor, the payment by the Company to the Depository of any dividend payable to a Depositor shall to the extent of the payment discharge the Company from any further liability in respect of the payment. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or to such person as the holder or joint holders or person or persons entitled to the share in consequence of the death or bankruptcy of the holder may direct and payment of the cheque if purporting to be endorsed or the receipt of any such person shall be a good discharge to the Company. Every such cheque or warrant shall be sent at the risk of the person entitled to the money represented thereby. *Dividend paid by cheque or warrant*

171) The payment by the Directors of any unclaimed dividends or other moneys payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof. All dividends unclaimed after being declared may be invested or otherwise made use of by the Directors for the benefit of the Company and any dividend unclaimed after a period of six (6) years from the date of declaration of such dividend may be forfeited and if so shall revert to the Company. However, the Directors may at any time thereafter at their absolute discretion annul any such forfeiture and pay the dividend so forfeited to the person entitled thereto prior to the forfeiture. If the Depository returns any such dividend or moneys to the Company, the relevant Depositor shall not have any right or claim in *Unclaimed dividends* *respect of such dividend or moneys against the Company if a period of six (6) years has elapsed from the date of the declaration of such dividend or the date on which such other moneys are first payable. For the avoidance of doubt no Member shall be entitled to any interest, share of revenue or other benefit arising from any unclaimed dividends, howsoever and whatsoever.*

172) No dividend shall bear interest as against the Company. *No interest on dividends*

BONUS ISSUES AND CAPITALISATION OF PROFITS AND RESERVES

173) The Company may, upon the recommendation of the Directors, with the sanction of an Ordinary Resolution (including any Ordinary Resolution passed pursuant to Article 67(3)): *Power to capitalise profits*

a) issue bonus shares for which no consideration is payable to the Company to the persons registered as holders of shares in the Register of Members or (as the case may be) in the Depository Register at the close of business on:

(i) the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided); or

(ii) (in the case of an Ordinary Resolution passed pursuant to Article 67(3)) such other date as may be determined by the Directors,

in proportion to their then holdings of shares; and/or

b) capitalise any part of the amount for the time being standing to the credit of the Company's reserve funds or to the credit of the profit and loss account or otherwise available for distribution, to the persons registered as holders of shares in the Register of Members or (as the case may be) in the Depository Register at the close of business on:

(i) the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided); or

(ii) (in the case of an Ordinary Resolution passed pursuant to Article 67(3)) such other date as may be determined by the Directors),

in proportion to their then holdings of shares and applying such sum on their behalf in paying up unissued shares in full (or, subject to any special rights previously conferred on any shares or class of shares for the time being issued, unissued shares of any other class not being redeemable shares) for allotment and distribution credited as fully paid up and amongst them as bonus shares in the proportion aforesaid.

174) The Directors may do all acts and things necessary or expedient to give effect to any such bonus issue and/or capitalisation under Article 173, with full power to the Directors to make such provisions as they think fit for any fractional entitlements which would arise on the basis aforesaid (including provisions whereby fractional entitlements are disregarded or the benefit thereof accrues to the Company rather than to the Members concerned). *Directors to give effect to bonus issues and/or capitalisation*

The Directors may authorise any person to enter on behalf of all the Members entitled thereto into an agreement with the Company providing for any such bonus issue and/or capitalisation and matters incidental thereto and any agreement made under such authority shall be effective and binding on all such Members.

175) In addition and without prejudice to the powers provided for by Article 174 above, the Directors shall have power to issue shares for which no consideration is payable and/or to capitalise any undivided profits or other moneys of the Company not required for the payment or provision of any dividend on any shares entitled to cumulative or non-cumulative preferential dividends (including profits or other moneys carried and standing to any reserve or reserves) and to apply such profits or other moneys in paying up in full new shares, in each case on terms that such shares shall, upon issue, be held by or for the benefit of participants of any share incentive or option scheme or plan implemented by the Company and approved by shareholders in general meeting and on such terms as the Directors shall think fit." *Power to issue free shares and/or to capitalise reserves for employee share-based incentive plans*

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6th December 2019

The Board of Directors
China Gaoxian Fibre Fabric Holdings Limited (the "Company")
80 Robinson Road #02-00
The Republic of Singapore

Dear Sirs,

In accordance with your instructions to value the properties held by Zhejiang Huagang Polyester Industrial Co., Ltd. ("Huagang Polyester"), Huaxiang (China) Gaoxian Fibre Co., Ltd. ("Huaxiang Gaoxian") and Huzhou Huaxiang Property Co., Ltd. ("Huaxiang Property") in Huzhou City, Zhejiang Province, the People's Republic of China (the "PRC") for the purpose of Circular reference, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the property interests as at 31 October 2019 (the "valuation date").

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

We have valued Property nos. 1 and 2 by comparison approach assuming sale of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the market. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

We valued Property no. 3 by the income approach by taking into account the rental income of the property achievable in the existing market, which can be capitalized to determine the market value at an appropriate capitalization rate.

Due to the nature of the buildings and structures of Property nos. 4 and 5 and the particular location in which they are situated, there are unlikely to be relevant market comparable sales readily available. The property interests have therefore been valued by Cost Approach with reference to their depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant

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forms of obsolescence and optimization." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of land portion, reference has been made to the sales as available in the locality. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

Our valuation has been made on the assumption that the seller sells the property interests on the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

We have been provided with various title certificates relating to the properties, the details of which are disclosed in the Appendix. For the purpose of this valuation, we have assumed the properties can be freely transferred in the market in their existing state with no outstanding payable fees or monies.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in the RICS Valuation – Global Standards 2017 published by the Royal Institution of Chartered Surveyors and HKIS Valuation Standards published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Company. We have accepted advice given to us on such matters as tenure and all other relevant matters.

We have no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also been advised by the Company that no material factors have been omitted from the information to reach an informed view and we have no reason to suspect that any material information has been withheld.

We have been shown copies of various title documents including State-owned Land Use Rights Certificate and Building Ownership Certificate relating to the properties and have made relevant enquiries. However, we have not examined the original documents and assumed that the copies of the documents obtained are consistent with their originals. If necessary, we recommend that a PRC legal opinion is sought to verify the existing title to the property interests in the PRC.

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We have not carried out detailed measurements to verify the correctness of the area in respect of the properties but have assumed that the areas shown on the documents and official site plans handed to us are correct. All documents have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

Inspection of the property was carried out on 7 December 2019. We have inspected the exterior and, where possible, the interior of the property. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation summary and certificates are hereby enclosed for your attention.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Eddie T.W. Yiu
MRICS MHKIS RPS (GP)
Senior Director

Note: Eddie T.W. Yiu is a Chartered Surveyor who has 25 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

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SUMMARY OF VALUES

No.	Property	Market value in existing state as at 31 October 2019 *RMB*
1.	Unit C of Building No. 9 of Fenghe Yuan Yu Garden located at No.1739 Qingtong Road Ren Huang Shan New Area Huzhou City Zhejiang Province The PRC	7,310,000
2.	No. 39 of Building No. 7 Changxing Qingfang City located at No. 888 Xiangzhang Avenue Jiapu Town Changxing County Huzhou City Zhejiang Province The PRC	2,400,000
3.	Building No. 415 of Zi Jing Yuan located at the eastern side of Yaoshan Road Wuxing District Huzhou City Zhejiang Province The PRC	15,000,000 *(refer to note)*
4	2 parcels of land, various buildings and a structure located at the northern side of No. 318 National Highway Baili Dian Town Wuxing District Huzhou City Zhejiang Province The PRC	52,603,000 *(refer to note)*
5	4 parcels of land, various buildings and structures located at Wuxing Avenue Baili Dian Town Wuxing District Huzhou City Zhejiang Province The PRC	468,014,000 *(refer to note)*
	Total:	**545,327,000**

Note: As advised by the Company, partial/whole of Property nos. 3, 4 and 5 have not obtained any title certificate. As instructed by the Company and for the purpose of this valuation, our valuation of the properties have been carried out on the assumption that all the relevant title certificate has been legally obtained and it could be freely transferred.

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VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2019 *RMB*
1.	Unit C of Building No. 9 of Fenghe Yuan Yu Garden located at No.1739 Qingtong Road Ren Huang Shan New Area Huzhou City Zhejiang Province The PRC	The property comprises a four-storey villa (include the underground area) which was completed in 2013. The property has a gross floor area of approximately 575.86 sq.m. The land use rights of the property have been granted for a term expiring on 30 May 2078 for residential use.	As at the valuation date, the property was vacant.	7,310,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Hu Tu Guo Yong (2014) Di No. 007281, the land use rights of the property with an apportioned site area of approximately 620.36 sq.m. have been granted to Huaxiang Property for a term expiring on 30 May 2078 for residential use.

2. Pursuant to a Building Ownership Certificate – Hu Fang Quan Zheng Hu Zhou Shi Zi Di No. 110233098, the property with a gross floor area of approximately 575.86 sq.m. is owned by Huaxiang Property.

3. We have prepared our valuation on the assumptions that:

   a) all land premium payments and other costs such as resettlement and ancillary utilities services have been paid in full and there is no requirement for payment of further land premium or other onerous payments to the government;

   b) the property can be freely transferred, leased or mortgaged by Huaxiang Property without payment of any further land premium or transfer fees; and

   c) the documents and information provided by Huaxiang Property are valid, binding and enforceable.

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VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2019 *RMB*
2.	No. 39 of Building No. 7 Changxing Qingfang City located at No. 888 Xiangzhang Avenue Jiapu Town Changxing County Huzhou City Zhejiang Province The PRC	The property comprises a 2-storey commercial building which was completed in 2014. The property has a gross floor area of approximately 336.74 sq.m. The land use rights of the property have been granted for a term expiring on 29 October 2052 for commercial use.	As at the valuation date, the property was occupied by Huaxiang Property for commercial use.	2,400,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Chang Tu Guo Yong (2014) Di No.10307419, the land use rights of the property with an apportioned site area of approximately 198.67 sq.m. have been granted to Huaxiang Property for a term expiring on 29 October 2052 for commercial use.

2. Pursuant to a Building Ownership Certificate – Chang Fang Quan Zheng Jia Pu Zi Di No. 00217418, the property with a gross floor area of approximately 336.74 sq.m. is owned by Huaxiang Property.

3. We have prepared our valuation on the assumptions that:

   a) all land premium payments and other costs such as resettlement and ancillary utilities services have been paid in full and there is no requirement for payment of further land premium or other onerous payments to the government;

   b) the property can be freely transferred, leased or mortgaged by Huaxiang Property without payment of any further land premium or transfer fees; and

   c) the documents and information provided by Huaxiang Property are valid, binding and enforceable.

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VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2019 *RMB*
3.	Building No. 415 of Zi Jing Yuan located at the eastern side of Yaoshan Road Wuxing District Huzhou City Zhejiang Province The PRC	The property comprises a 10-storey residential building with 40 residential units which was completed in 2011. The property has a gross floor area of approximately 4,821.70 sq.m.	As at the valuation date, the property was occupied by Huaxiang Property as staff quarter.	15,000,000 *(refer to note 3)*

Notes:

1. According to a Purchase Agreement dated 11 October 2011, entered into between Huzhou City Wuxing Nan Tai Hu Construction Investment Co. Ltd. and Huaxiang Gaoxian, the property with a gross floor area of approximately 4,821.70 sq.m. was purchased by Huaxiang(China) at a consideration of RMB2,000 per sq.m.

2. According to an asset Purchase Agreement date 31 October 2015, entered into between Huaxiang Gaoxian and Huaxiang Property, the property with a gross floor area of approximately 4,821.70 sq.m. was purchased by Huaxiang Property at a consideration of RMB10,955,061.42.

3. As advised by the Company, the property has not obtained any title certificate. As instructed by the Company and for the purpose of this valuation and as instructed by the Company, our valuation of the property has been carried out on the assumption that all the relevant title certificate has been legally obtained for Building No. 415 of Zi Jing Yuan and it could be freely transferred on en-bloc sale basis.

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VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2019 *RMB*
4.	2 parcels of land, various buildings and a structure located at the northern side of No. 318 National Highway Baili Dian Town Wuxing District Huzhou City Zhejiang Province The PRC	The property comprises 2 parcels of land with a total site area of approximately 67,368.00 sq.m. and 6 buildings and a structure erected thereon which were completed in December 2007. The buildings have a total gross floor area of approximately 50,175.48 sq.m. The buildings include an industrial building, 2 warehouse buildings, 2 dormitory buildings and an office building. The structure is an ancillary steel shed. The land use rights of the property have been granted for a term expiring on 10 February 2054 and 2 December 2058 for industrial use.	As at the valuation date, the property was vacant.	52,603,000 *(refer to note 3)*

Notes:

1. According to 2 State-owned Land Use Rights Certificates – Hu Tu Guo Yong (2009) Di Nos.16-20592 and 16-20573, the land use rights of 2 parcels of land with a total site area of approximately 67,368.00 sq.m. have been granted to Huagang Polyester for a term expiring on 10 February 2054 and 2 December 2058 for industrial use.

2. Pursuant to 5 Building Ownership Certificates – Hu Fang Quan Zheng Hu Zhou Shi Zi Di Nos. 0120578, 010188416, 010188412, 010188413 and 010188414, 5 buildings with a total gross floor area of approximately 46,546.48 sq.m. are owned by Huagang Polyester.

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3. As at the valuation date, a warehouse building of the property with a total gross floor area of approximately 3,629.00 sq.m. has not obtained Building Ownership Certificate. For the purpose of the valuation and as instructed by the Company, our valuation of this building has been carried out on the assumption that the relevant title certificate has been obtained and this building could be freely transferred.

4. We have prepared our valuation on the assumptions that:

   a) all land premium payments and other costs such as resettlement and ancillary utilities services have been paid in full and there is no requirement for payment of further land premium or other onerous payments to the government;

   b) the property can be freely transferred, leased or mortgaged by Huagang Polyester without payment of any further land premium or transfer fees; and

   c) the documents and information provided by Huagang Polyester are valid, binding and enforceable.

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VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2019 *RMB*
5.	4 parcels of land, various buildings and structures located at Wuxing Avenue Baili Dian Town Wuxing District Huzhou City Zhejiang Province The PRC	The property comprises 4 parcels of land with a total site area of approximately 464,760.00 sq.m. and 19 buildings and various structures erected thereon which were completed in December 2014. The buildings have a total gross floor area of approximately 274,647.50 sq.m. The buildings include 4 industrial buildings, 4 warehouse buildings, 4 dormitory buildings and 7 ancillary buildings. The structures mainly include landscaping facilities and roads. The land use rights of the property have been granted for a term expiring on 29 September 2060 for industrial use.	As at the valuation date, portions of the property were occupied by Huaxiang Gaoxian for production, storage and ancillary purpose.	468,014,000 *(refer to note 3)*

Notes:

1. According to 4 State-owned Land Use Rights Certificates – Wu Tu Guo Yong (2013) Nos.000368, 000369, 000370 and 000371, the land use rights of 4 parcels of land with a total site area of approximately 464,760.00 sq.m. have been granted to Huaxiang Gaoxian for a term expiring on 29 September 2060 for industrial use.

2. Pursuant to 16 Building Ownership Certificates – Hu Fang Quan Zheng Hu Zhou Zi Di Nos. 110207659, 110207658, 110207661, 110188840, 110188841, 110188843, 110188839, 110175085, 110214617, 110214618, 110214619, 110214615, 110214621, 110175084,

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110214616 and 110214620, 16 buildings with a total gross floor area of approximately 271,269.20 sq.m. are owned by Huaxiang Gaoxian.

3. As at the valuation date, 2 warehouses and an ancillary building of the property with a total gross floor area of approximately 3,378.30 sq.m. have not obtained Building Ownership Certificates. For the purpose of the valuation and as instructed by the Company, our valuation of these buildings have been carried out on the assumption that all the relevant title certificates have been obtained and these buildings could be freely transferred.

4. We have prepared our valuation on the assumptions that:

   a) all land premium payments and other costs such as resettlement and ancillary utilities services have been paid in full and there is no requirement for payment of further land premium or other onerous payments to the government;

   b) the property can be freely transferred, leased or mortgaged by Huaxiang Gaoxian without payment of any further land premium or transfer fees; and

   c) the documents and information provided by Huaxiang Gaoxian are valid, binding and enforceable.

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公司牌照號碼：C-030171

Our Ref. No.: CON100280442PM-1

9 December 2019

The Board of Directors
China Gaoxian Fibre Fabric Holdings Limited
80 Robinson Road #02-00
The Republic of Singapore

Dear Sirs,

In accordance with your instructions, we have undertaken a valuation to determine the values of machinery, vehicles, and office equipment (the "Assets") belonging to Zhejiang Huagang Polyester Industrial Co., Ltd. ("Huagang Polyester"), Hua Xiang (China) Gaoxian Fibre Co., Ltd. ("Huaxiang Gaoxian") and Fujian New Huawei Fibre Dyeing Co.,Ltd.("New Huawei"), which are located in Huzhou, Zhejiang Province and Fuzhou, Fujian Province, the People's Republic of China (the "PRC") respectively.

The purpose of the appraisal is to estimate the Market Value in Continued Use as of 31 October 2019 and it is our understanding that these values will be utilized for circular reference.

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Market Value is defined herein as the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein parties had acted knowledgeably, prudently and without compulsion.

Market Value In Continued Use is further defined as amount of money at which a given property would change hands between a willing buyer and a willing seller, in an appropriate marketplace, when neither is acting under compulsion and when both have reasonable knowledge of relevant facts, including installation and other turnkey costs and assumes that earnings support the value reported. (*source: American Society of Appraisers*)

Market Value In Continued Use does not represent the amount that might be realised in the event of piecemeal disposition of the assets in the open market or from any alternative use to which they may be put.

This valuation report dated 9 December 2019, comprises: -

- A narrative section, which identifies the machinery and equipment valued, scope and character of our investigation; the premise of the value adopted; the valuation process employed and the opinion of value;
- Limiting Conditions; and
- A summary of values;

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NARRATIVE DESCRIPTION

Company Background

The subject company, China Gaoxian Fibre Fabric Holdings Limited was incorporated in July 2003. The company engaged in production and sales of all types of polyester silk and warp knit fabric.

Assets Valued

The Assets belonging to Huagang Polyester, Huaxiang Gaoxian and New Huawei under review comprise mainly of machinery and equipment, which can be classified into the following groups:

1) Machinery:
The appraised production equipment consists of manufacture machinery such as texturing machinery, Silk-spinning Machine (FDY), Silk-spinning Machine (POY), etc.

2) Vehicle:
The appraised vehicle consists of motor vehicles.

3) Office Equipment:
The appraised office equipment consists of computers, printers, air conditioners, etc.

The chronological ages of the major machinery range from 4 to 19 years old. Some of the major equipment were sourced and fabricated in China, while some are imported from foreign countries. Our inspection reveals that the machinery and equipment are mostly of standard manufacture while some are custom built to in-house design.

Exclusions

We have excluded in this valuation: land, buildings, other land improvements, spare parts, stocks, company records or any current or intangible assets.

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VALUATION METHODOLOGY

There are three generally accepted approaches to value, namely:

The Cost Approach

The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence present (physical, functional or economic), taking into consideration past and present maintenance policy and rebuilding history.

The cost approach generally furnishes the most reliable indication of value for assets without a known used market.

The Market Approach

The market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised machinery and equipment relative to the market comparative.

Assets for which there is an established used market may be appraised by this approach.

The Income Approach

The income approach is the present worth of the future economic benefits of ownership. This approach is general applied to an aggregation of assets that consists of all assets of a business enterprise including working capital and tangible and intangible assets.

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Analysis

In accordance to valuation procedures, all valuation approaches must be considered, as one or more approaches may be applicable to the subject asset. In certain situations, elements of the three approaches may be combined to reach a value conclusion. However, the relative strength, applicability, and significance of the approaches and their resulting values must be analyzed and reconciled.

In estimating the value of the assets, the market approach was primarily utilized for those assets where an active secondary market exists. Verified market comparables is the best proof of transacted value as it reflects the dynamics of secondary market. Factors such as the availability and desirability of particular types of machines are vital consideration, as supply and demand is an influencing factor on the transactions.

For all other assets without active secondary market, we relied on the cost approach, where an estimate is made on the cost of reproduction new or replacement cost, less allowance for depreciation or loss of value arising from condition, utility, age, wear and tear, and obsolescence, taking into consideration past and present maintenance policy, and rebuilding history, if any, and current utilization.

In situation where we can identify and collect sufficient data on certain equipment that has direct contribution to the revenue generation, the income approach will be applied as part of the cross-checking procedure with the result from the cost approach and the market approach in arriving at our conclusion of value.

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Valuation Comments

We have carried out physical inspection of the assets on 7 December 2019 in Huzhou and 5 December 2019 in Fuzhou, the PRC. During our inspection, we have been provided with a listing of the machinery and equipment. We have relied considerably on this plus on other information such as equipment specifications and other documents provided to us.

We have not carried out a full mechanical survey, nor have inspected other machinery and equipment, which are covered, unexposed or inaccessible, and our assessments on these non-inspected assets are based on the premise that these items are in a condition that commensurate with age and usage.

We have inspected the major machinery in Huagang Polyester, Huaxiang Gaoxian and New Huawei, and found that most of the machinery in Huagang Polyester and New Huawei are not in operating condition and have been idled since 2014; while those in Huaxiang Gaoxian are currently in use and in operating condition.

Housekeeping of the plant of Huaxiang Gaoxian is observed to be well organized and maintained, while the machinery located in the plants of Huagang Polyester and New Huawei are lack of maintenance since being idled.

Equipment which have been idled or scrapped have been indicated in the schedule of assets. In the asset listing, we found that the acquisition costs stated are carried on original costs.

We have not investigated the title or any liabilities affecting the machinery and equipment appraised. No consideration was made for any outstanding amount owed under financing agreements, if any.

We hereby certify that we have neither present nor prospective interest in the assets appraised or on the value reported.

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OPINION OF VALUE

Based on the results of our inspection and findings, it is our opinion that

RMB766,073,000 (RENMINBI SEVEN HUNDRED SIXTY-SIX MILLION AND SEVENTY-THREE THOUSAND) , fairly represents the market value of the appraised assets belonging to China Gaoxian Fibre Fabric Holdings Limited as at 31 October 2019.

A breakdown is shown in the attached summary of values. This summary report should be read in conjunction with our full valuation report which contains the schedule of assets.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Johnny Lee
Director

James Lai, ASA, MRICS
Consultant

LIMITING CONDITIONS

1. We have disregarded any existing liabilities, liens and encumbrances against or titles to the property appraised and assume no responsibility for these matters.

2. In the inventory, machinery and/or equipment were listed as complete units and were meant to include all parts and accessories normally comprising the unit.

3. We have totally disregarded such items that, in our opinion, have no practical take-up value or are normally charged as operating expenses.

4. Our conclusions assume continuation of prudent management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued. We assume that there are no hidden or unexpected conditions associated with the subject matter under review that might adversely affect the reported review result. Further, we assume no responsibility for changes in market conditions after the Valuation Date.

5. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial information give a true and fair view and have been prepared in accordance with the relevant companies ordinance.

6. Public information and industry and statistical information have been obtained from sources we deem to be reputable; however we make no representation as to the accuracy or completeness of such information, and have accepted the information without any verification.

7. The management of the Company has reviewed and agreed on the valuation report and confirmed that the basis, assumptions, calculations and results are appropriate and reasonable.

8. Jones Lang LaSalle Corporate Appraisal and Advisory Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this valuation, with reference to the project described herein unless prior arrangements have been made.

9. No opinion is intended to be expressed for matters which require legal or other specialised expertise or knowledge, beyond what is customarily employed by valuers.

10. The use of and/or the reliance of the valuation report is subject to the terms of engagement letter/proposal and the full settlement of the fees.

11. This valuation report has been prepared solely for the use of the directors. The valuation report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any their party without our prior written consent. We shall not under any circumstances whatsoever be liable to any third party except where we specifically agreed in writing to accept such liability.

12. This report is confidential to the client and the opinion of value expressed herein is valid only for the purpose stated in the engagement letter/or proposal as of the valuation date. In accordance with our standard practice, we must state that this report and valuation exercise is for the use only by the party to whom it is addressed and no responsibility is accepted with respect to any third party for the whole or any part of its contents.

13. Where a distinct and definite representation has been made to us by party/parties interested in the assets valued, we are entitled to rely on that representation without further investigation into the veracity of the representation if such investigation is beyond the scope of normal business valuation work.

14. We are not environmental consultants or auditors, and we take no responsibility for any actual or potential environmental liabilities exist, and the effect on the value of the asset is encouraged to obtain a professional environmental assessment. We do not conduct or provide environmental assessments and have not performed one for the subject property.

15. This report and the conclusion of value arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. Furthermore, the report and conclusion of value are not intended by the author, and should not be construed by the reader, to be investment advice in any manner whatsoever. The conclusion of value represents the consideration, based on information furnished by the Company and other sources.

16. Reliance on this valuation report is permitted only:
    （i） by a party expressly identified by the report as being permitted to rely on it;
    （ii） when the given party has received the report directly from JLL; and
    （iii） for a purpose expressly identified by the report as being a permitted use of the report.

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Summary of Values

Valuation Date: 31 October 2019
Subject Company: Zhejiang Huagang Polyester Industrial Co., Ltd.

	Acq Cost (RMB)	NBV (RMB)	Market Value (RMB)
Machinery& Equipment	90,723,047.75	24,218,978.18	3,305,100
Motor vehicles	1,471,623.15	134,754.13	344,700
Office Equipment	783,085.45	73,424.38	28,900
Total	92,977,756.35	24,427,156.69	3,678,700
		Rounded to	3,679,000

Valuation Date: 31 October 2019
Subject Company: Huaxiang (China) Gaoxian Fibre Co., Ltd.

	Acq Cost (RMB)	NBV (RMB)	Market Value (RMB)
Machinery & Equipment	1,186,800,600.40	734,974,855.02	749,469,500
Motor vehicles	3,850,153.46	546,654.66	2,013,600
Office Equipment	4,373,605.75	673,470.13	587,000
Total	1,195,024,359.61	736,194,979.81	752,070,100
		Rounded to	752,070,000

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Summary of Values

Valuation Date: 31 October 2019
Subject Company: Fujian New Huawei Fibre Dyeing Co.,Ltd.

	Acq Cost (RMB)	NBV (RMB)	Market Value (RMB)
Machinery & Equipment	492,063,492.02	45,289,152.62	8,684,800
Motor vehicles	6,901,875.62	345,093.78	1,617,000
Office Equipment	619,416.05	30,970.80	21,900
Total	**499,584,783.69**	**45,665,217.20**	**10,323,700**
		Rounded to	10,324,000
		Grand total	**766,073,000**

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