

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 VARIANCES BETWEEN UNAUDITED FINANCIAL STATEMENTS AND AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

The Board of Directors (the "**Board**") of China Gaoxian Fibre Fabric Holdings Ltd. (the "**Company**", or together with its subsidiaries, the "**Group**") refers to the announcement on unaudited full year financial statements for the financial year ended 31 December 2016 ("**FY2016**") released by the Company via SGXNet on 1 March 2017.

Pursuant to Rule 704(6) of the Listing Manual of Singapore Exchange Securities Trading Limited, the Board wishes to highlight and clarify the material differences between the unaudited financial statements for FY2016 and audited financial statements for FY2016 following the finalisation of the audit.

Details of the material variances are set out in the Appendix A as attached.

BY ORDER OF THE BOARD

Tham Wan Loong, Jerome
Executive Director

1 June 2017

Appendix A

Consolidated Statement of Financial Position as at 31 December 2016

	Per audited	Per Unaudited Q4 SGX Announcement on 1 March 2017	Variance	As at 31 Dec 2015	Remark
	RMB'000 B	RMB'000 A	RMB'000 C=B-A	RMB'000	
Non-current assets					
Property, plant and equipment	1,348,779	1,460,723	(111,944)	1,530,276	Being recognition of additional impairment loss on Huagang and New Huawei's property, plant and equipment of RMB 112.0 million.
Investment property - construction work in progress	156,780	156,780	-	154,060	
Land use rights	148,500	148,500	-	152,146	
Prepayments/Long term receivables	55,988	55,988	-	55,988	
Long term receivables (cost of land & preparation)	69,314	69,314	-	70,979	
Subtotal	1,779,361	1,891,305	(111,944)	1,963,449	
Current assets					
Land use right(current part)	3,646	3,712	(66)	3,646	
Inventories	18,929	19,999	(1,070)	36,357	Being purchase cut-off noted on inventories as at 31 Dec 2016
Trade receivables	31,065	50,198		44,229	Being recognition of impairment loss of RMB 29.2 million due from a customer, offset by the Group's share of profit from the supply chain cooperation arrangement with Zhejiang Materials of RMB 9.02 million and sales cut-off of RMB 1.07million.
Bills and other receivables and prepayments	264,542	246,702	(19,133)	277,157	Being (i) unrecorded VAT for construction payables of RMB 11.1 million; deposit place with Zhejiang Materials of RMB 3.5 million; and (iii) reclassification of amount due from lessee of RMB 3.5 million.
Cash and bank balances	121,394	121,717	17,840 (323)	247,984	Being petty cash payments not expensed off.
	439,576	442,328	(2,752)	609,373	
Total Assets	2,218,937	2,333,633	(114,696)	2,572,822	

Current liabilities					
Trade payables	(120,772)	(121,476)	704	(368,459)	Being adjustment for inventory cut-off error. The increase was due to reclassification from long-term loans of RMB 205million, offset by reclassification of RMB50 million to other payables .
Short term loans	(1,693,928)	(1,538,928)	(155,000)	(1,234,491)	
Bills payable	(130,600)	(130,600)	-	(487,455)	The increase was due to (i) reclassification from short-term loans of RMB 50 million, (ii) under-accrual of construction payable of RMB 11.1 million and (iii) reclassification of amount due from lessee of RMB 3.5 million. They were offset by over-accrual of interest expense and social security insurance and rental expense of RMB 11 million (net).
Other liabilities/accruals	(609,492)	(556,020)	(53,472)		
Provision for tax	-	-	-	(784)	
	(2,554,792)	(2,347,024)	207,768	(2,091,189)	
Net current (liabilities) assets	(335,855)	(13,391)	322,464	(2,700,562)	
Non-current liabilities					
Long term borrowings	-	(205,000)	205,000	(442,398)	The decrease was due to reclassification of loan from non-current to current.
Total Liabilities	(2,554,792)	(2,552,024)		(2,533,587)	
Net assets	(335,855)	(218,391)		39,235	
Shareholder's equity					
Share capital	(2,190,580)	(2,190,580)	-	(2,190,580)	
Warrants reserve	(13,840)	(13,840)	-	(13,840)	
Merger reserve	369,563	369,563	-	369,563	
Accumulated loss (profit)	2,170,712	2,053,248	117,464	1,795,622	
Total Equity	335,855	218,391	117,464	(39,235)	
Total Equity and Liabilities	(2,218,937)	(2,333,633)	114,696	(2,572,822)	

Consolidated Statement of Comprehensive Income for financial year ended 31 December 2016

	Per audited	Per Unaudited Q4 SGX Announcement on 1 March 2017	Difference		Remark
	FY 2016	FY 2016	Variance	FY 2015	
	RMB'000 B	RMB'000 A	RMB'000 C=B-A	RMB'000	
Revenue	1,173,742	1,166,237	7,505	147,006	The increase was mainly due to (i) revenue cut-off adjustment of RMB 1.2 million; and (ii) recognition of Group's share of profit under the supply chain cooperation agreement with Zhejiang Materials of RMB 12.5 million. They are offset by the reclassification of RMB 6.3 million to "other income"
Cost of goods sold	(1,162,610)	(1,179,495)	16,885	(145,121)	The decrease in COGS was due to (i) reclassification of depreciation expenses to General & administrative expenses of RMB 24.1 million, offset by reclassification expenses of RMB 6.4 million from G&A expense and inventory cut-off error of RMB 1.07 million.
Gross (loss)/ profit	11,132	(13,258)	24,390	1,885	
Financial income	2,491	5,944	(3,453)	6,531	Being under elimination of inter-co interest income of RMB 3.5 million.
Other income	12,122	9,052	3,070	24,578	Being reclassification of RMB 6.3 million from revenue to "other income", offset by a reclassification of trading loss on sale of inventories to "other expenses" amounting to RMB 1.3 million.
Selling & distribution expenses	(3,262)	(3,262)	-	(2,655)	
General & administrative expenses	(255,359)	(105,171)	(150,188)	(612,311)	The increase was mainly due to the recognition of impairment losses on Huagang and New Huawei's property, plant and equipment of RMB\$112 million, impairment loss on a customer of RMB 29.2 million and reclassification of depreciation from COGS of RMB 24.1 million. They were offset by a reclassification of RMB 6.4 million to COGS.
Other expenses	(1,341)	-	(1,341)	(4,458)	Being reclassification of trading loss on sale of inventories, previously classified under "other income".
Financial expense	(140,873)	(150,931)	10,058	(200,612)	The decrease in finance expense was due to (i) under elimination of interest expense of RMB 3.5 million and (ii) over-accrual of interest expense of RMB 6.9 million;
			-		
Loss before tax	(375,090)	(257,626)	117,464	(787,042)	
Income tax expense	-	-	-	-	
			-		
Loss after tax	(375,090)	(257,626)	117,464	(787,042)	