

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)

CLARIFICATION ON THE COMPANY'S ANNOUNCEMENT DATED 28 AUGUST 2014

The Board of Directors ("**Board**") of China Gaoxian Fibre Fabric Holdings Ltd. (the "**Company**") and together with its subsidiaries, the "**Group**") refers to the announcement released to the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 28 August 2014 ("**Announcement**") and wishes to clarify as follows:-

SGX's questions:

*The Company explained that 3-year unsecured term loan amounting to RMB242 million extended by China Citic Bank (Fujian Branch) ("**Citic Bank**") requires the Company "to acquire (i) 40.63 million of equity shares in Rural Commercial Bank of Fuzhou and (ii) a commercial unit located on the 12th floor of Fuzhou Wuyi Center Building". The Group subsequently made payment of RMB83.9 million for the two assets to China Huarong Asset Management Co., Ltd. although their fair values have not been obtained. Please provide further information as follows:-*

- (1) *Rationale why the Company will be required to acquire the two assets to get the unsecured bank loan of RMB242 million. How are these assets related to the Company and Citic Bank;*

Company's answer to question (1):

The Company wishes to clarify that it was not required to acquire "*(i) 40.63 million of equity shares in Rural Commercial Bank of Fuzhou and (ii) a commercial unit located on the 12th floor of Fuzhou Wuyi Center Building*" (collectively, "**DB Assets**") but instead, it was required to acquire (as a condition for its loan from Citic Bank) a Non-Performing Loan extended by Citic Bank to Fujian DiBang Group Co., (福建缔邦集团有限公司 "**DB group**") and secured by the DB Assets.

To the best knowledge of the Company, DB Group is a subsidiary of DBA Telecommunication (Asia) Holdings Limited, a company listed on the Stock Exchange of Hong Kong Limited. As DB Group was unable to service its loan, Citic Bank decided to dispose off the Non-Performing Loan. As at 27 June 2014, the principal amount outstanding under the Non-Performing Loan was approximately RMB77.2 million, together with accrued unpaid interest of approximately RMB2.8 million.

During the Company's discussion with Citic bank for financing, Citic Bank mentioned that it would be prepared to advance the 3-year term loan on unsecured basis if the Company was willing to take over the Non-Performing Loan, together with the DB Assets. In addition, Citic Bank said that it was prepared to give the Company a preferential rate of 6.15% per annum.

CHINA GAOXIAN FIBRE FABRIC HOLDINGS LTD.

Clarification on the Company's Announcement

dated 28 August 2014

- Page 2

As it was difficult for the Company to secure bank loan, especially on unsecured basis and at such preferential rate, the Company decided to take up Citic Bank's offer, even though it was aware that there was a risk that the Non-Performing Loan may not be fully recovered and that the disposal of the DB Assets may not be able to cover the total loan outstanding.

As Citic Bank could not transfer the Non-Performing Loan to the Company directly, it was done through China Huarong Asset Management Co., Ltd ("**China Huarong**"), a PRC state-owned financial assets management company. The Company paid China Huarong a total of RMB83.9 million (inclusive of a fee of approximately RMB3.2 million levied by China Huarong) for the transfer of the Non-Performing Loan and the security rights over the DB Assets.

The Company has since been informed by Citic Bank that it has commenced law suit against DB Group for the recovery of the Non-Performing Loan and the enforcement of the security over the DB Assets and judgment is expected to be issued by the PRC courts in October 2014.

The Company is in the process of finalising the documentation to join the law suit commenced by Citic Bank previously for the enforcement of the security rights over the DB Assets. The Company will provide further updates to shareholders if there is any material development.

- (2) *The terms and conditions attached to the acquisition of the two assets, including any minimum holding period and whether the disposal price on the two assets have already been set;***

Company's answer to question (2):

Please refer to the response to Query (1) above and it is the intention of the Company to dispose off the DB Assets after obtaining the enforcement order from the court in October 2014.

- (3) *It is noted that the acquisition of the two assets is not in the Company's ordinary course of business. Please provide the final aggregate amount to be paid by the Company for the two assets, relative figures computation and disclosure under Listing Rule 1006 and 1010, if applicable.***

Company's answer to question (3):

As mentioned above, the Company did not acquire the DB Assets but the security rights over the DB Assets as a result of the transfer of the Non-Performing Loan. The initial confusion arose out of verbal discussion with Citic Bank and the Company only had the complete picture when it entered into the relevant transfer documents with China Huarong to take over the Non-Performing Loan.

CHINA GAOXIAN FIBRE FABRIC HOLDINGS LTD.

Clarification on the Company's Announcement

dated 28 August 2014

- Page 3

(4) *Who is China Huarong Asset Management Co., Ltd. and how is it related to Citic Bank and the two assets.*

Company's answer to question (4):

As mentioned above, China Huarong is a PRC state-owned financial assets management firm set up by the PRC Ministry of Finance (MOF) in 1999, to take over and manage non-performing loans of PRC state-owned banks.

So far as the Company is aware, China Huarong is not directly related to Citic Bank or the DB Assets, save as set out above.

(5) *Explanations as to the basis of the consideration and the fair value of the two assets. Please provide details of the valuations obtained before the acquisitions were made; and*

Company's answer to question (5):

As clarified above, the Company did not acquire the DB Assets but the security rights over the DB Assets.

As for the consideration paid by the Company for the transfer of the Non-Performing Loan and the security rights over the DB Assets, it comprises (i) the principal amount and interest outstanding, (ii) legal costs and expenses owing to Citic Bank and (iii) the fee levied by China Huarong for facilitating the transfer of the Non-Performing Loan.

There was no separate valuation commissioned by the Company for assessing the value of the Non-Performing Loan. However, there was a valuation obtained by Citic Bank and/or Huarong for the DB Assets and the Company is in the process of getting a copy of the valuation report from China Huarong.

(6) *The use of proceeds of the RMB242 million bank loan from Citic Bank.*

Company's answer to question (6):

The loan proceeds have been subsequently used to repay the suppliers of Huaxiang Project and refinance outstanding borrowings.

BY ORDER OF THE BOARD

Toh Li Ping, Angela
Company Secretary
7 September 2014