

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)

RESPONSE TO SGX-ST QUERIES

Reference is made to the Company's announcement dated 27 December 2013 ("**Prior Announcement**"). Capitalised terms used herein but not otherwise defined shall have the same meanings as ascribed to them in the Prior Announcement.

With reference to the queries relating to the New Project Finance raised by the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Company would like to provide the following answers:

SGX-ST Query 1:

Please provide more details on the 5-year syndicated loan facility agreement and the equipment finance lease e.g. maturity date of the loan/finance lease, interest rate, security provided etc.

Company's Response:

The key terms of the Facility are as follows:-

Borrower	Huaxiang China																			
Lenders	<ul style="list-style-type: none">- China Construction Bank, Huzhou Branch (as arranging bank, participating bank and agent bank)- Bank of China, Zhejiang Branch (as co-arranging bank)- Bank of China, Huzhou Branch (as participating bank)- Shanghai Pudong Development Bank, Huzhou Branch (as participating bank)																			
Facility Commitment	RMB500 million																			
Term of the Loan	4 years (Please refer to Note 1)																			
Repayment Terms	<p>In accordance with the terms of the Facility, Huaxiang China shall repay the loans drawn down under the Facility in accordance with the payment schedule set out therein.</p> <table><tr><td>31 May 2014 (Please refer to Note 2)</td><td>RMB 30 million</td></tr><tr><td>30 November 2014</td><td>RMB 30 million</td></tr><tr><td>31 May 2015</td><td>RMB 50 million</td></tr><tr><td>30 November 2015</td><td>RMB 50 million</td></tr><tr><td>31 May 2016</td><td>RMB 70 million</td></tr><tr><td>30 November 2016</td><td>RMB 70 million</td></tr><tr><td>31 May 2017</td><td>RMB 100 million</td></tr><tr><td>30 November 2017</td><td>RMB 100 million</td></tr><tr><td>Total</td><td>RMB 500 million</td></tr></table>		31 May 2014 (Please refer to Note 2)	RMB 30 million	30 November 2014	RMB 30 million	31 May 2015	RMB 50 million	30 November 2015	RMB 50 million	31 May 2016	RMB 70 million	30 November 2016	RMB 70 million	31 May 2017	RMB 100 million	30 November 2017	RMB 100 million	Total	RMB 500 million
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Total	RMB 500 million																			
Interest Rate	105% of the benchmark lending rate announced by the People's Bank of China for corporate loans with a term of 3 to 5 years. (Please refer to Note 2)																			

Other Fees	<ul style="list-style-type: none"> - Arrangement Bank Fee of RMB1.25 million - Agent Bank Fee of RMB250,000 per year - Participation Bank Fee of RMB12 million
Security	<ul style="list-style-type: none"> - Personal guarantee provided by Mr Cao Xiangbin. - Huaxiang China's land use rights over the New Production Facilities land and the buildings thereon. (Please refer to Note 3).

Note 1: As set out in the Company's Circular dated 29 May 2013, China Construction Bank has originally indicated that it would like to extend a loan to the Group for a term of 5 years. In the definitive agreement signed between Huaxiang China and the consortium banks on 9 December 2013, the term of the Facility has subsequently been revised to a shorter period of 4 years.

Note 2: As at the date of this announcement, the prevailing benchmark lending rate announced by the People's Bank of China for corporate loans with a term of 3 to 5 years is 6.4%. As such, the effective interest rate of a loan under the Facility, if such loan were to be drawn down today, would be 6.72% as at the time of drawdown.

Note 3: As at the date of this announcement, the Company is still in the process of finalising the terms of the relevant security documents with the consortium banks and has yet to draw down any loans under the Facility. In this regard, the Company has been negotiating with the consortium banks to extend the date of first repayment of the loans. The consortium banks have indicated that they will determine a later repayment date for the first repayment of the loans, after Huaxiang China has drawn down the first loan under the Facility.

Equipment Finance Lease

As set out in the Prior Announcement, Huaxiang China has entered into an equipment finance lease arrangement with the Lessor, pursuant which the Lessor has agreed to provide Huaxiang China with equipment lease financing of up to RMB300 million.

In this regard, the Lessor has provided Huaxiang China with the first tranche of equipment finance lease in the amount of approximately RMB152 million ("**Equipment Finance Lease**"). The key terms of the aforesaid Equipment Finance Lease are as follows:

Lessee	Huaxiang China
Lessor	Hua Rong Finance Lease Co., Ltd
Amount Financed	Approximately RMB152 million
Term of Equipment Lease	3 years
Repayment Terms	The lease payment shall be paid every three month starting from the date falling on the 10 th day of the third month after the first payment made by the Lessor to the relevant equipment manufacturer.
Interest rate	0.5125% per month of the payment made by the Lessor to the equipment manufacturers.
Other Fees payable by Huaxiang China	Service Fee of approximately RMB4 million

Security	<ul style="list-style-type: none"> - Personal guarantee provided by Mr Cao Xiangbin. - Corporate guarantee provided by Huarui (China) Sewing Threads Co., Ltd. (华美瑞（中国）缝纫线有限公司)
Ownership of Equipment	During the lease period, the legal ownership of the Equipment will belong to the Lessor. Upon the end of the lease period, Huaxiang China may purchase the equipment at a consideration of RMB1 provided that Huaxiang China has duly paid all agreed fees to the Lessor.

SGX-ST Query 2:

It was disclosed that “Huarui (China) Sewing Threads Co., Ltd. ... (“Huarui”), an independent third party introduced by China Construction Bank, has agreed to provide a corporate guarantee for an amount of approximately RMB152 million in favour of the Lessor to assist in securing the equipment financing arrangement (“Huarui Guarantee”).”

- Please explain how China Construction Bank is involved in the equipment financing arrangement and explain why it is introducing [Huarui] to the Company.*
- Please provide details on Huarui, including the identity of the owners, principal business activity, size of Haurui business etc.*
- Please provide details of the Huarui Guarantee such as the duration of the cross-guarantee arrangement and whether any fees will be paid to Huarui for the provision of corporate guarantee.*
- Please elaborate on the safeguard put in place in the event Huarui is not able to fulfil its repayment obligations when the Group becomes a guarantor to Huarui pursuant to the cross-guarantee arrangement.*

Company's Response:

- Please explain how China Construction Bank is involved in the equipment financing arrangement and explain why it is introducing Huarui to the Company.*

As set out in the Company's Circular dated 29 May 2013, China Construction Bank had previously offered to provide project financing of up to RMB700 million for the Huaxiang Project. As such, China Construction Bank subsequently brought in Huarong to provide the equipment financing for Huaxiang China as part of the project financing package, and introduced Huarui as a guarantor when Huarong required Huaxiang China to furnish additional security for the Equipment Finance Lease.

- Please provide details on Huarui, including the identity of the owners, principal business activity, size of Haurui business etc.*

According to information obtained by the Company from Huarui and public sources, Huarui is a limited liability company established in the PRC with a registered capital for USD35,880,000. It is principally engaged in the business of production of sewing threads under the brand “华美瑞” and has an annual sales of over RMB100 million.

- Please provide details of the Huarui Guarantee such as the duration of the cross-guarantee arrangement and whether any fees will be paid to Huarui for the provision of corporate guarantee.*

Under the Huarui Guarantee, Huarui has agreed to guarantee all of Huaxiang China's debt obligations under the Equipment Finance Lease, including but not limited to lease payments, liquidated damages, economic loss, payables and other cost and expenses (including legal expenses) incurred by the Lessor in connection with its obtaining of the aforesaid sums.

The Huarui Guarantee will be for a term commencing on 9 November 2013 and ending on the date falling 2 years after the expiration of the performance period of the Equipment Finance Lease Agreement.

Save for the undertaking to provide cross-guarantee by the Company as disclosed in the Prior Announcement, no other consideration has been paid by the Group to Huarui for the provision of the Huarui Guarantee.

- (d) *Please elaborate on the safeguard put in place in the event Huarui is not able to fulfil its repayment obligations when the Group becomes a guarantor to Huarui pursuant to the cross-guarantee arrangement.*

As at the date of this announcement, Huarui has not requested any Group Companies to provide a similar guarantee pursuant to the cross-guarantee arrangement.

As the cross-guarantee that may be provided to Huarui in the future arose out of the New Project Finance, and as Mr Cao Xiangbin has agreed to provide his personal guarantee for the New Project Finance under the Consultancy Agreement between him and the Company dated 18 September 2013, the Company will get Mr Cao to indemnify the Group against any exposure under the Huarui Guarantee in the event that the Group is required to provide such a cross-guarantee. This will form part of Mr Cao's obligations under the aforesaid Consultancy Agreement.

In this regard, Mr Cao has agreed to provide the indemnity provided that he will be paid a fee of 1% of principal amount to be drawn down by Huarui and which will be cross-guaranteed by the Group. The aforesaid fee will be similar to the 1% guarantee fee paid to Mr Cao under the Consultancy Agreement for his provision of personal guarantee for loans drawn down under the New Project Finance.

BY ORDER OF THE BOARD

Busarakham Kohsikaporn
Company Secretary
9 January 2014