

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 AND CORRIGENDUM OF ANNUAL REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 ("ANNUAL REPORT 2013")**

Reference is made to the Company's Annual Report 2013 released on the SGXNET on 10 April 2014. Capitalised terms used herein but not otherwise defined shall have the same meanings as ascribed to them in Annual Report 2013.

With reference to the queries relating to Annual Report 2013 raised by the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Company would like to provide the following answers:-

SGX-ST's Query:

It was disclosed on page 30 of Annual Report 2013 that "the AC, with the concurrence of the Board, had adopted a Management Assurance Confirmation Statement...". Please clarify whether the members of Management providing such Management Assurance Confirmation Statement include CEO and CFO.

Company's Response:

The Management Assurance Confirmation Statement adopted by the AC, with the concurrence of the Board, is provided by the Chief Executive Officer and Chief Financial Officer.

SGX-ST's Query:

We refer to "Use of Proceeds from IPO" disclosure on page 37 of Annual Report 2013. Please provide breakdown with specific details on the use of proceeds for general working capital.

Company's Response:

As the bulk of the Group's accounting books and records for the period prior to 1 April 2011 remains missing ("**Missing Accounting Records**"), the Company is unable to provide a breakdown on the use of the IPO proceeds from the Company's listing on the SGX-ST ("**IPO Proceeds**") for general working capital purposes.

Furthermore, it was stated in the Special Auditor's findings released on 3 May 2012 that the Group's funds at that time (including the IPO Proceeds and the KDR Proceeds) could have been used to *inter alia* pay for capital expenditure and repay bank loans. However, the Special Auditors could not ascertain the extent and purpose which the Group's funds were used including the IPO Proceeds and the KDR Proceeds were used due to the unavailability of the Missing Accounting Records.

As at 31 December 2013, all the IPO Proceeds and KDR Proceeds have been fully utilised for their stated purposes and the details are as follows:-

Use of IPO Proceeds

Expansion the production capacity of premium differentiated fine polyester yarn (Huaxiang Project)	S\$14.9 million
Expansion and maintenance of the sales and marketing network	S\$1 million.
Increase the product development capabilities	S\$1 million

Use of KDR Proceeds

Purchasing equipment relating to the Huaxiang Project and
repayment of loans – RMB125 million.

RMB125 million

In view of the above, shareholders should note that the relevant statements relating to balance IPO Proceeds and KDR Proceeds as set out in page 37 of Annual Report 2013 should instead be read as that set out in Appendix 1.

BY ORDER OF THE BOARD

Busarakham Kohsikaporn
Company Secretary
25 April 2014

Appendix 1

CORRIGENDUM TO PAGE 37 OF ANNUAL REPORT 2013 IN RELATION TO USE OF PROCEEDS FROM IPO

(D) USE OF PROCEEDS

USE OF PROCEEDS FROM IPO

The Company refers to the net IPO proceeds amounted to \$78.2 million (“**IPO Proceeds**”) raised from its listing on SGX and the net Korean IPO proceeds amounting to approximately RMB1,139 million (“**KDR Proceeds**”) from the issuance of 30 million Korean Depository Receipts (“**KDRs**”) listed on the KRX.

It was stated in the Special Auditor’s findings released on 3 May 2012 that the Group’s funds at that time (including the IPO Proceeds and the KDR Proceeds) could have been used to *inter alia* pay for capital expenditure and repay bank loans. However, the Special Auditors could not ascertain the extent and purpose which the Group’s funds including the IPO Proceeds and the KDR Proceeds were used as the bulk of the Group’s accounting books and records for the period prior to 1 April 2011 remain missing and unaccounted.

Subjective to the abovementioned qualification, all the IPO Proceeds have been fully utilised in accordance with the intended use as disclosed in the prospectus, and application of net IPO Proceeds to the Group (as at 31 December 2013) are as follow:-

Intended Use	Amount Allocated (S\$’million)	Amount Utilised (S\$’million)	Balance Amount (S\$’million)
Expand the production capacity of premium differentiated fine polyester yarn	33.0	33.0	-
Expand the downstream fabric	35.0	35.0	-
Strengthen the “华港” (HuaGang) and “大华威” (DaHuaWei) brand recognition and expand the sales and marketing network	3.0	3.0	-
Increase the product development capabilities	3.0	3.0	-
General working capital	4.2	4.2	-
Total	78.2	78.2	-

In the financial year ended 31 December 2013, approximately RMB125 million of the KDR Proceeds have also been utilised for purchasing of equipment in relation to the Huaxiang Project and repayment of loans. Subject to the abovementioned qualifications, all the KDR Proceeds have been fully utilised in accordance with the intended uses set out in its Korean prospectus.