

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)

**UNQUALIFIED OPINION BY THE INDEPENDENT AUDITOR WITH AN EMPHASIS OF MATTER
ON THE FINANCIAL STATEMENTS FOR FINANCIAL YEAR ENDED 31 DECEMBER 2014**

Pursuant to Rule 704(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Board of Directors of China Gaoxian Fibre Fabric Holdings Ltd. (the "Company") wishes to announce that the Company's Independent Auditor, Foo Kon Tan LLP, has issued an unqualified opinion with an emphasis of matter and other matter in their report ("Independent Auditor's Report") on the consolidated financial statements of the Company and its subsidiaries for the financial year ended 31 December 2014. A copy of the Independent Auditor's Report is attached as Appendix I.

BY ORDER OF THE BOARD

Tham Wan Loong, Jerome
Executive Director
31 March 2015

Independent auditor's report to the members of China Gaoxian Fibre Fabric Holdings Ltd.

Report on the financial statements

We have audited the accompanying financial statements of China Gaoxian Fibre Fabric Holdings Ltd. (the “Company”) and its subsidiaries (the “Group”), which comprise the statements of financial position of the Group and the Company as at 31 December 2014, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Cap 50 (the “Act”) and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent auditor's report to the members of China Gaoxian Fibre Fabric Holdings Ltd. (Cont'd)

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

Emphasis of matter

We draw attention to Note 2 to the financial statements which describes the going concern uncertainty of the Group and the Company. The Group incurred losses for the year of RMB 221.1 million (2013 - RMB 215.4 million) and reported net cash outflows from operating activities of RMB 21.8 million (2013 - RMB 116.3 million) for the financial year ended 31 December 2014. At that date, the Group was in net current liabilities position of RMB 842.8 million (2013 - net current liabilities position of RMB 1.13 billion). The equity of the Group stood at RMB 826.3 million as at 31 December 2014 (2013: RMB1.05 billion). As at 31 December 2014, the Company has a net current liabilities of RMB 66.4 million (2013: net current liabilities of RMB 36.3 million). 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 directors are of the view that the going concern assumption is appropriate for the preparation of these financial statements and that debts owing will be paid as and when they fall due as the directors believe that:

- (a) The Group will be able to generate sufficient operating cash flows following the commencement of production of the New Production Facilities at Huaxiang (China) Premium Fibre Co., Ltd ("Huaxiang China") to fund its working capital needs;
- (b) During the financial year ended 31 December 2014, the Group obtained financing from non-financial institutions, third parties (collectively known as the "lenders") amounting to RMB 806.3 million and repaid approximately RMB 682.8 million. The loans due to these lenders amounted to RMB 320.4 million as at 31 December 2014. These loans entered by the Group's entities were secured by a personal guarantee from a shareholder. In the event of any shortfall in working capital requirements for the next twelve months, management believes that the Group has the ability to obtain further short-term financing from these lenders since the loans will continue to be secured by a guarantee from the same shareholder; and
- (c) One of the shareholders has undertaken to provide continuing financial support so that the Company and the Group is able to pay its debts as and when they fall due.

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 ability of the Group to continue as a going concern for the next twelve months after the end of the reporting period is dependent on (i) the commencement of the production at Huaxiang China as planned, (ii) the ability to generate the required sales volume under the current challenging market conditions, (iii) continual support from the financial institutions and (iv) the Group's ability to generate sufficient cash from its operations or obtain funds from other sources to pay its debts as and when they 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.

Independent auditor's report to the members of China Gaoxian Fibre Fabric Holdings Ltd. (Cont'd)

Emphasis of matter (cont'd)

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 liabilities respectively. No such adjustments have been made to the financial statements of the Group and the Company in respect of these. Our opinion is not qualified in respect of this matter.

Other matter

We have previously highlighted in our 2013 audit report dated 4 April 2014 that management was not able to provide satisfactory explanation and reconciliation for the differences between the audited PRC GAAP financial statements of the PRC subsidiaries filed with the local PRC authorities for the financial year ended 31 December 2012 and the management accounts provided for audit purposes in the preceding year and accordingly, we were unable to ascertain the consequential impact, if any, on the financial statements for the financial year ended 31 December 2013, arising from any significant variances between the audited 2012 PRC GAAP financial statements and the 2012 management accounts provided for audit purposes, which formed the basis of the qualified audit opinion on the financial statements for the financial year ended 31 December 2013.

In arriving at our audit opinion on the financial year ended 31 December 2014, which is unqualified, we have considered and taken into account of the above matter previously reported in Note 3 to the financial statements. Based on the audit procedures which we have carried out, management engaged a local audit firm, who is domiciled in Fujian Province, PRC, to carry out and complete the audits of the said PRC subsidiaries for the financial years ended 31 December 2013 and 2014. We noted no significant variances between the audited PRC GAAP financial statements for the financial years ended 31 December 2013 and 2014 and the 2013 and 2014 management accounts provided for audit purposes. Therefore, the matter reported in the 2013 audit report did not have an effect on the financial statements for financial year ended 31 December 2014 or on our opinion on those financial statements.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore, 31 March 2015