

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 2015**

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 2015. A copy of the Independent Auditor's Report is attached as Appendix I.

BY ORDER OF THE BOARD

Tham Wan Loong, Jerome
Executive Director
28 April 2016

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 2015, 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 financial statements 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 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date.

Emphasis of matter

Note 2 to the financial statements describes the material uncertainty regarding the going concern assumption of the Group and the Company. The Group incurred losses for the financial year of RMB 787.0 million (2014 - RMB 221.1 million) and reported net cash outflows from operating activities of RMB 30.6 million (2014 - RMB 21.8 million) for the financial year ended 31 December 2015. At that date, the Group and the Company reported deficiencies in net current assets of RMB 1.48 billion and RMB 87.9 million (2014 - deficiency in net current assets of RMB 842.8 million and RMB 66.4 million). The Company also reported a deficiency in net assets of RMB 88.0 million as at the balance sheet date. 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:

- (a) Huaxiang (China) Premium Fibre Co., Ltd ("Huaxiang China") has been included in the list of local enterprises shortlisted by the People's Government of Huzhou City to receive financial assistance from its principal bankers. This is part of the government wide initiatives to assist local enterprises who are facing financial difficulties. On 21 March 2016, 湖州市金融工作办公室, 湖州市经济信息化委员会 and 湖州银监分局 (collectively known as the "Government Agencies") jointly issued an Official Circular (湖金融办函(2016)1号) to notify 57 local enterprises, including Huaxiang China that the Government Agencies have issued specified guidelines to their respective principal bankers to provide the necessary reasonable financial assistance, including but not limited to, restructuring of the existing loans drawn down by the local enterprises.

With this initiative, management was successful in concluding the amendments in the repayment terms of its 4-year syndicated loan, amounting to RMB 405 million, entered with a group of syndicated PRC banks led by China Construction Bank as disclosed in the financial statements. Under the revised repayment terms, Huaxiang China is only required to repay RMB 76 million in FY 2016 instead of RMB 205 million and accordingly, the "current" portion of RMB 129 million of the 4-year syndicated loan will be reclassified to "non-current" subsequent to the balance sheet date. In addition, the Group also received short-term interest-free loan of RMB 150 million from certain government-linked entities in Huzhou City after the balance sheet date;

- (b) One of the shareholders continues to undertake and provide the necessary financial support to the Group and the Company so that the Group and the Company are able to pay its debts as and when they fall due. In the event of any shortfall in working capital requirements for the next twelve months, management believes that the Group and the Company will have the ability to obtain further short-term financing from non-financial institutions and third parties (collectively known as the "Lenders") since the loans will continue to be secured by guarantees from the shareholder. During the financial year ended 31 December 2015, the Group was able to obtain fresh funding amounting to RMB 561.9 million from these lenders to settle the Group's financial liabilities as and when they fall due. The loans due to these lenders amounted to RMB 591.8 million as at 31 December 2015 and were secured by personal guarantees from the shareholder; and

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

Emphasis of matter (Cont'd)

- (c) On 7 April 2016, management received a Letter of Intent from the People's Government of Huzhou City that the latter has the intention to acquire the Group's investment property – construction work-in-progress, a 26-storey commercial and office building with 2 basement floors, with a total area of 51,858 square metres (excluding common area) at a rate of RMB 4,200 per square metre. The purchase price is expected to be RMB 217.8 million.

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 viability of the Group and the Company's operations to continue as a going concern for the next twelve months after the end of the reporting period is dependent on (i) continual support from the local government, financial and non-financial institutions and/or (ii) the ability of one of the shareholders in providing such continuing financial support to the Group and the Company as and when the liabilities 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.

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

On 2 March 2016, the Company announced that the Singapore Exchange Securities Trading Limited (the "SGX-ST") has notified the Company that pursuant to Rule 1311(1), it will be placed on the Watch-List with effect from 3 March 2016 due to the financial entry criteria. The Company must take active steps to meet the requirements of Listing Rule 1314(1) of the Listing Manual of the SGX-ST (the "Listing Manual") for its removal from Watch-List within 36 months from 3 March 2016, failing which the SGX-ST may either remove the Company from the official list of the SGX-ST (the "Official List") or suspend trading of the Company with a view to remove the Company from the Official List.

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, 28 April 2016