CHINA GAOXIAN FIBRE FABRIC HOLDINGS LTD.
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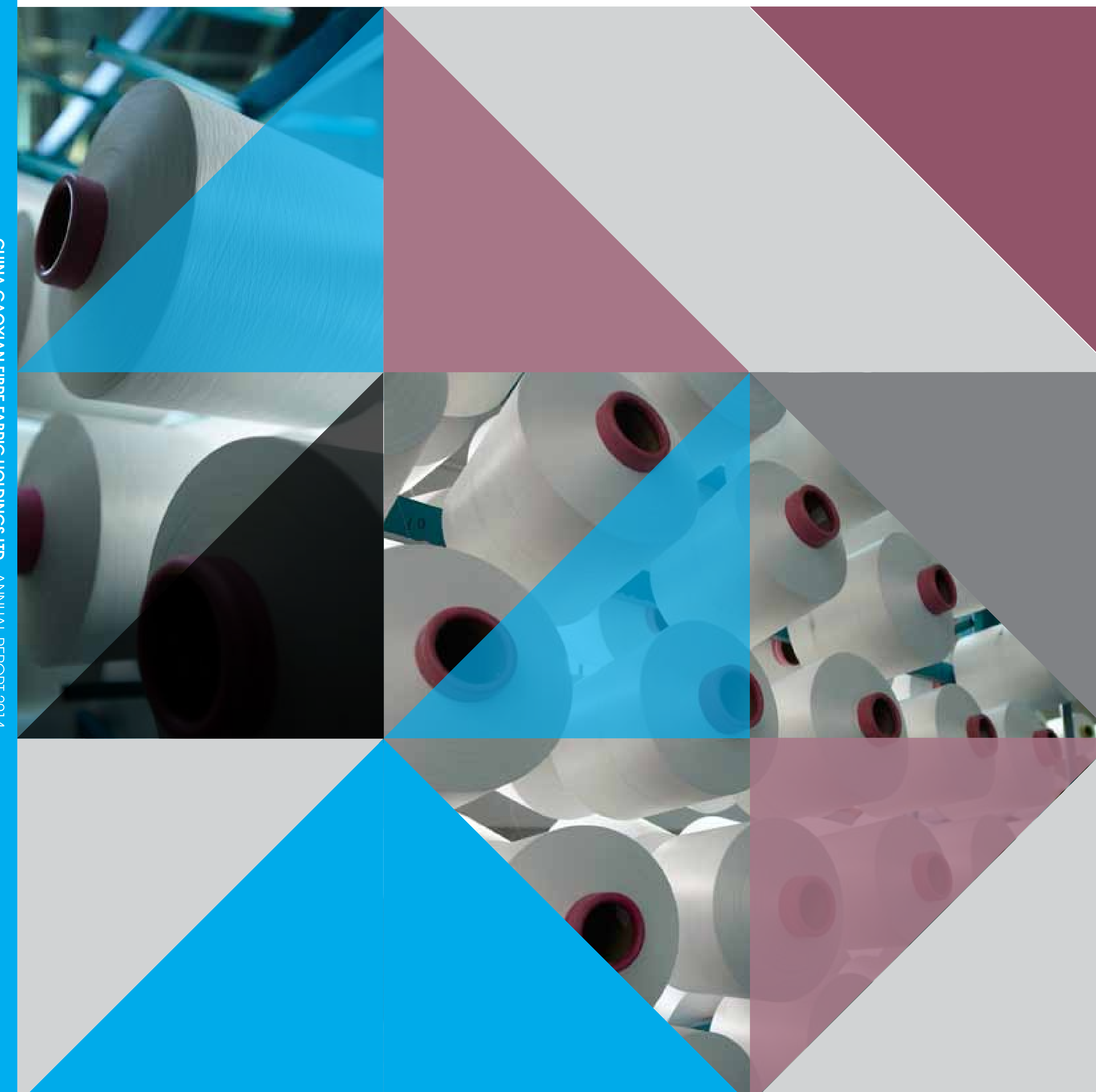
Singapore 048623

(Company Registration No. 200817812K)

www.chinagaoxian.com

CHINA GAOXIAN FIBRE FABRIC HOLDINGS LTD. ANNUAL REPORT 2014



CHINA GAOXIAN FIBRE FABRIC HOLDINGS LTD.

ANNUAL REPORT 2014

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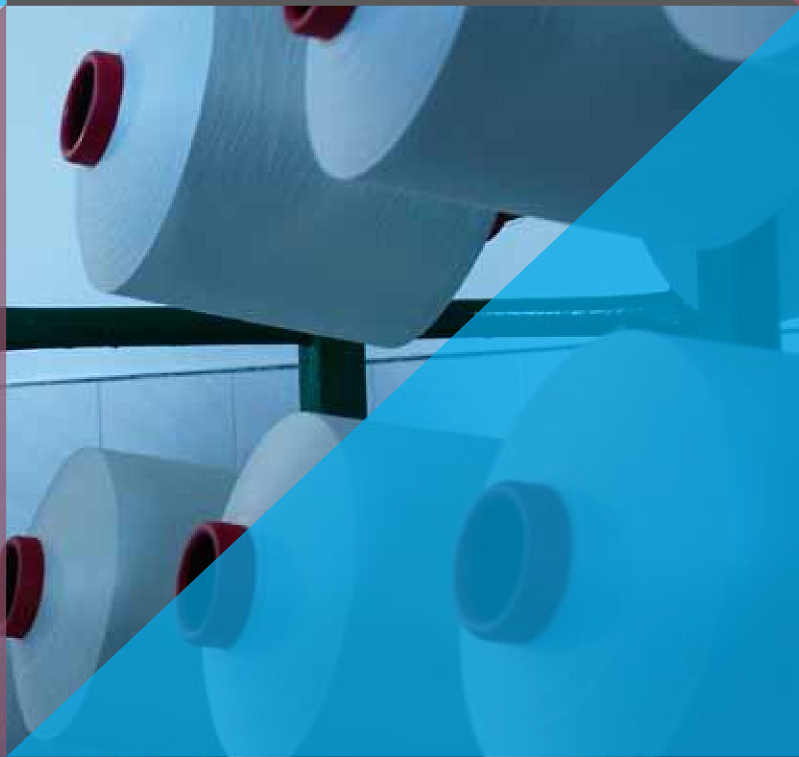


A SUPPLIER OF PREMIUM DIFFERENTIATED FINE POLYESTER YARN AND WARP KNIT FABRIC

CORPORATE PROFILE

- Located in Fujian and Zhejiang provinces, two of PRC's major textile and garment production provinces
- Easy access to suppliers of raw materials
- Proximity to fabric, textile and garment manufacturers in these areas enables us to tap into the region's fabric, textile and garment markets

Listed on the Mainboard of Singapore Exchange in September 2009, China Gaoxian Fibre Fabric Holdings Ltd. ("China Gaoxian" or the "Company") is a leading supplier of premium differentiated fine polyester yarn and warp knit fabric in the PRC. It is principally engaged in the manufacture of premium differentiated fine polyester yarn and fabric under its own "HuaGang" (华港) and "DaHuaWei" (大华威) brands.

By varying the physical, mechanical and chemical properties of the fibres, China Gaoxian produces substitutes for other fibres like silk or nylon, but with desirable properties added on in terms of warmth, texture and feel, luster, tensile strength, as well as abrasion resistance. As such, its products are widely used in the manufacture of mid to high-end apparels and utilities, including sportswear, casual wear, upholstery for automobiles and aeroplanes, sports shoes, headgear, curtains, bedding, bags and umbrellas. China Gaoxian is well positioned to capture this growing domestic market with an established customer base of over 1,500 domestic textile and garment manufacturers, and experienced management with more than 16 years of expertise in polyester yarn business.

Its two production facilities are strategically located in Zhejiang and Fujian provinces, otherwise known as the two textile hubs of the PRC, which gives it easy access to the entire production chain. It therefore enables the Company to respond quickly to customers' demands and develop long lasting relationships with many of its local customers.

In 2010, the Company announced its upstream expansion project ("Huaxiang Project"), which refers to the construction of a new integrated facility with Polyester Direct Spinning production lines which are capable of producing PET chips and four differentiated polyester yarn products. The construction and development of the New Production Facilities and the Office Property of the Huaxiang Project (Phase 1 of the Huaxiang Project) has been completed. Trial production of Polyethylene terephthalate (PET) chips and Partially oriented yarn (POY) products has commenced on 12 March 2015. Further updates will be provided via announcement(s) on the SGXNET once the Group is ready to commence actual production.

OUR PRODUCTS

PRODUCT	PROPERTIES	OTHER FEATURES
Fully Drawn Yarn ("FDY") With filament count of 24f and linear densities of 35D and 50D	High tensile strength; semi-dull; softer; smoother feel; wrinkle resistance; soft luster	• Finer in texture as compared to more commonly available polyester FDY 150D/48f • Suitable for high-end apparel and home furnishings
Drawn Textured Yarn ("DTY")	Combines desired properties of natural fibre (eg warm, bulk, soft luster) and polyester fibre (high strength, elasticity, stretch and abrasion resistance)	• Achieved through a texturing process • Fabric manufactured from DTY feels warm due to static air trapped between fibres, and have a softer and greater volume due to untwisted fibres
Blended Yarn ("BY")	Higher tensile strength; resilience; shape-retention; crease resistance; high breathability; soft and smooth	• Highly suitable for making suits, gowns and sports apparel
Triangular-Fibre Yarn ("TFY") Low linear density of about 50D	Brilliant luster; fine and smooth texture; high abrasion resistance, resistance to heat and mould; durable, does not fade or crease easily	• New product developed in-house • Spun from polyester filaments which have a reflective surface due to triangular cross sectional shape similar to silk • Fabrics made with triangular-fibre yarn look and feel like silk
Warp Knit Fabric ("WKF")	Tailored to meet customers' specifications, e.g. tensile strength, elasticity and texture	

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I am presenting the Annual Report for the financial year ended 31 December 2014 ("FY2014").

FINANCIAL HIGHLIGHTS

Our operating revenue for FY2014 continued to be impacted by the current downturn in the industry cycle and the suspension of production at Zhejiang Huagang Polyester industrial Co., Ltd ("HG") and Fujian New Huawei Fibre Dyeing Co., Ltd ("NHW"), which was announced in August 2014. For the fourth quarter of FY2014, revenue mainly came from sales of Drawn Textured Yarn from the texturing workshop of the Huaxiang Project.

For FY2014, the Company recorded a net loss of RMB221.1 million, on the back of RMB90.7 million in revenue compared to a net loss of RMB215.4 million and revenue of RMB271.7 million in financial year ended 31 December 2013 ("FY2013"). However, gross loss improved from RMB37.8 million in FY2013 to RMB7.3 million in FY2014 due to the suspension of our own production and leasing out of the production facilities at our subsidiaries at HG and NHW.

More details can be found in our Operations & Financial Review section on pages 6 and 7.

HUAXIANG PROJECT

Despite it being a very difficult year, the Company's new management has persevered to complete Phase 1 of the Huaxiang Project. The original plan was to commence production for the new production facilities under Phase 1 of the Huaxiang Project in December 2014, but this was delayed by the difficulties in recruiting operators. However, with the improvement to the labour issue in the PRC during the Chinese New Year, I would like to report that trial production at the Huaxiang Project's has commenced on 12 March 2015.

Our sales team is now busy marketing our new finer denier products, which should command a better average selling price than mainstream yarn products. The Huaxiang Project's new production facilities also utilise faster and more efficient production technology, allowing the Company to yield cost savings in terms of labour, raw material and operating expenses.

The Company received the ownership certification for the Office Property that is part of the overall Huaxiang Project in November 2014. Currently, the Company is determining whether it is a better return to sell or rent the Official Property or use it as a security property for further additional bank loans as more working capital will be needed once the Huaxiang Project starts to ramp up production.

PROJECT FINANCE

As previously announced, the company has successfully secured project finance amounting RMB800 million at the end of 2013, which comprises a four-year syndicated loan facility of RMB500 million and equipment lease financing of up to RMB300 million, of which around RMB150 million was used for Phase 1 of the Huaxiang Project. During 2014, the company has drawdown approximately RMB416 million of the aforementioned syndicated loan. As for the abovementioned RMB150 million in equipment leasing financing, the balance of the principal unpaid as at 31 December 2014 is approximately RMB 93 million. In 2014, the company also obtained a RMB242 million conditional term loan from China CITIC bank (Fujian Branch), as announced in the Company's second quarter financial results announcement and subsequent announcements.

OUTLOOK

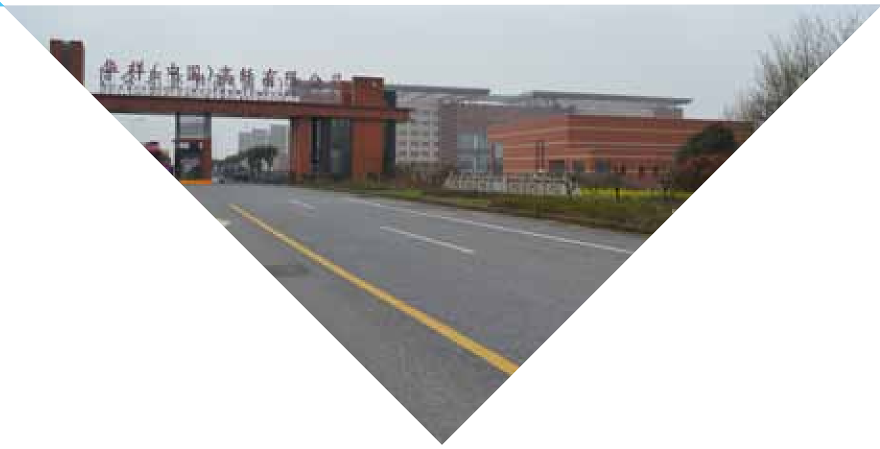
The Company believes that the operating environment for the financial year ending 31 December 2015 ("FY2015") is likely to continue to remain challenging, due to the ongoing uncertainties in the global economy and the slowdown in the PRC economy. However, the Company remains optimistic that the new products from the Huaxiang Project's production facilities will help to improve its performance.

APPRECIATION

On behalf of the Board, I would like to thank Ms Liu Minqin, our Chief Financial Officer who had resigned on 31 March 2015 due to family commitments, for her services and contributions to the Company during a turbulent and trying period, and wish her well in her future endeavours.

I would also like to take this opportunity to thank our shareholders once again who have been patient and supportive as management worked hard to get the Huaxiang Project up and running despite numerous challenges. I would also like to express my appreciation to the management and staff for their commitment and dedication and to our business associates and partners for their continued support.

Mr Low Chai Chong
Non-Executive and Non-Independent Chairman



OPERATIONS & FINANCIAL REVIEW

For the financial year ended 31 December 2014 ("FY2014"), the Group recorded a revenue of RMB90.7 million, which is a 66.7% decrease compared to RMB271.7 million for the financial year ended 31 December 2013 ("FY2013"). Cost of sales, correspondingly decreased from RMB309.6 million in FY2013 to RMB98.0 million in FY2014 and this led to gross loss of RMB7.3 million in FY2014, compared to a gross loss of RMB37.8 million in FY2013. The ability to generate a gross profit was due to the sale of DTY from the Huaxiang Project, followed by the completion of testing phase for production.

In the current downturn of the industry, the Group continues to face challenging market conditions. The PRC textile industry also continues to be impacted by the slowdown of the PRC economy.

Selling and distribution expenses which comprises sales department's salaries and distribution costs amounted to RMB2.5 million for FY2014 as compared to RMB2.9 million in FY2013. The decrease was mainly due to suspension of production at HG and NHW in August 2014. Over the same period, the Group's general and administrative expenses increased from RMB100.3 million in FY2013 to RMB107.0 million in FY2014.

Financial expenses increased by 60.5% from RMB86.5 million in FY2013 to RMB138.8 in FY2014, which was attributable to additional loan used to finance the Huaxiang project

Overall, the Group recorded a net loss attributable to shareholders of RMB221.1 million for FY2014, compared to a net loss of RMB215.4 million for FY2013.

FINANCIAL POSITION

As at 31 December 2014, the Group's Property, Plant and Equipment ("PPE") amounted to RMB1.9 billion compared to RMB1.8 billion as at 31 December 2013 and this was due to the transfer of costs from "prepayment" to "PPE" upon receipts of the assets physically on site during the financial year.

Land use rights over the four plots of state-owned land in the PRC where the Group's manufacturing premises reside amounted to RMB159.4 million as at 31 December 2014 compared to RMB163.1 million as at 31 December 2013, due to amortisation charges.

The Group incurred RMB141.2 million on the construction of the investment properties, namely the office building which excludes the land use right of RMB 18.5 million as at 31 December 2014. The office building is not ready for intended use as the Group has yet obtained the building safety certifications from relevant Government Authority and has not completed the installation of utilities.

Prepayments under Non-Current Assets consist of prepayments made the for Huaxiang Project Phase 2 land cost of RMB56.0 million and cost of the acquisition of machinery for the Huaxiang Project of RMB8.2 million. Prepayments have decreased to RMB64.2 million as at 31 December 2014 compared to RMB93.2 million as at 31 December 2013, as additional prepayments made in respect of the PPE for the Huaxiang Project were transferred to "construction-in-progress" under property, plant and equipment on the receipt of the equipment on site.

Long term receivables mainly comprise land preparation cost for Huaxiang project and the decrease was due to normal amortisation over the remaining lease period.

The Group's inventories decreased to to RMB17.9 million as at 31 December 2014 from RMB28.9 million as at 31 December 2013 and this was mainly due to the clearance of inventories for cessation of production at Huagang and New Huawei. As at 31 December 2014, trade receivables increased to RMB103.3 million from RMB70.4 million as at 31 December 2013, due to back-to-back sales and purchase arrangement entered with customers and suppliers.

Bills and other receivables increased to RMB345.8 million from RMB156.8 million mainly due to receivables from Huarong Finance Asset Management ("Huarong") amounting to RMB80.7 million relating to a payment made to Huarong for the transfer of non-performing assets of Dibang Group; a deposit of RMB29.8 million paid to Hua Rong Finance Lease Co., Ltd as part of the equipment finance lease arrangement; a 1-year interest-free working capital loans amounting to RMB20.0 million and RMB3.2 million respectively extended by the Group to Yunfeng & Huali as part of the lease agreements entered during the year and higher VAT receivables from domestic machines purchased for the Huaxiang Project.

The Group's trade payables increase to RMB88.8 million as at 31 December 2014 from RMB42.2 million as at 31 December 2013 due to back-to-back transactions which the Group has yet to settle as of the balance sheet date. Over the same period, short term loans decreased to RMB698.2 million from RMB760.7 million as the securing of long term loans in 2014 was used to settle the short term loans.

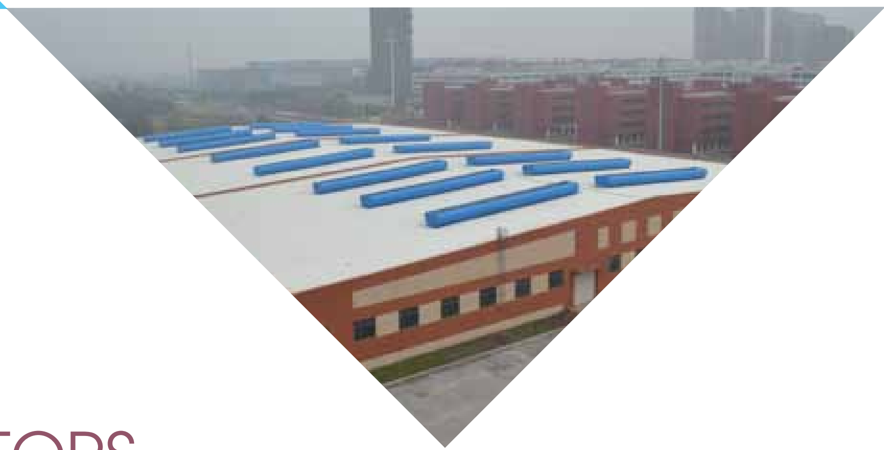
Bills payable decreased to RMB532.6 million as at 31 December 2014 from RMB547.9 million as at 31 December 2013 as some bills payable for the Huaxiang Project's have either expired or settled during the financial year. Payables for the acquisition of PPE decreased to RMB79.9million as at 31 December 2014 from RMB205.2 million as at 31 December 2013 due to the settlement of payables to construction suppliers.

Over the same reporting period, other payables, liabilities and accrued operating expenses increased to RMB187.4 million as at 31 December 2014 from RMB88.4 million as at 31 December 2013 due to the increase in the advances extended from third parties which has amounted to RMB73.4 million.

As at 31 December 2014, the Group reported a deficiency in net working capital amounting to RMB842.8 million as the Group currently uses short term financing which includes short term loans from financial institutions and third party institutions and bill payable facilities to finance its long-term Huaxiang Project. With the subsequent draw-down of the New Project Finance, the deficiency in net working capital has improved, compared to RMB1.1 billion as at 31 December 2013.

CASH FLOW

As at 31 December 2014, the Group's cash and cash equivalents increased from RMB8.0 million as at 31 December 2013 to RMB66.5 million as at 31 December 2014. This was because the proceeds from financing activities amounted to RMB318.3 million, was offset by cash outflows from operating activities, and the purchase of plant and equipment that amounted to RMB21.8 million and RMB238.1 million respectively.



BOARD OF DIRECTORS

MR LOW CHAI CHONG
Non-Executive and Non-Independent Chairman

Mr Low Chai Chong was appointed to the Board as Non-Executive and Non-Independent Chairman on 18 September 2013 and was last re-elected on 28 April 2014.

Mr Low is an Advocate & Solicitor of the Supreme Court of Singapore. He joined M/s Rodyk & Davidson in 1986, where he is now a senior partner. He has over 25 years of legal experience, representing MNCs, financial institutions and listed companies in commercial and corporate matters regionally, including dispute resolutions. Mr Low graduated from the National University of Singapore with a Bachelor of Laws (Honours) degree.

Mr Low is also an Independent Director on the boards of Moya Asia Limited and Pollux Properties Limited.

MR LIU DE HUANG
Chief Executive Officer and Executive Director

Mr Liu De Huang was appointed as our Chief Executive Officer on 18 September 2013 and is responsible for the overall business developments of the Group. He was also appointed as an Executive Director of the Company on 15 May 2014.

Mr Liu has more than 20 years of experience in managing corporations in the fibre industry. He was previously the Deputy Chief Executive Officer of Zhejiang Yuandong Chemical Fiber Group since February 2009. He has a bachelor's degree majoring in silk textile from Zhejiang Sci-Tech University (Zhejiang Institute of Silk and Textiles) and started his career in the USA. Mr Liu later returned to China where he assumed several executive roles in major fibre companies in China.

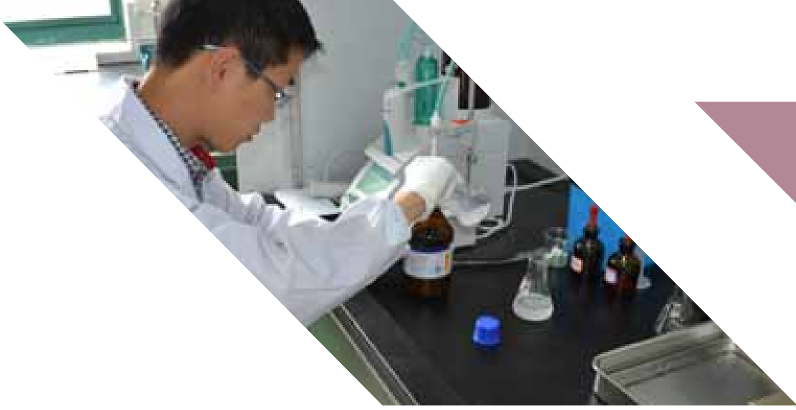
MR LIN XINGDI
Executive Director

Mr Lin Xingdi is the General Manager of our subsidiary, Huaxiang (China) where he is responsible for the Huaxiang Project's New Production Facilities. He was also appointed as an Executive Director of the Company on 15 May 2014.

Mr Lin is also the legal representative of Fujian New Huawei Fibre Dyeing Co., Ltd, Zhejiang Huagang Polyester Industrial Co., Ltd and Huaxiang (China).

Mr Lin was previously the deputy general manager of Jin Lun High Fiber Co., Ltd where he was in charge of the production department's operations and responsible for improving production yields and quality. Before his appointment at Jin Lun High Fiber Co., Ltd, Mr Lin worked in the production department of Dandong Chemical Fiber Co., Ltd. where he served as the Assistant Chief Engineer and Assistant General Manager from 2007 to 2009.

Mr Lin graduated from Fuzhou University with a degree in Textile Engineering.



MR THAM WAN LOONG, JEROME
Executive Director

Mr Jerome Tham was first appointed as a Director on 24 November 2008 and designated as an Independent Director on 30 June 2009. He was re-designated as the Group's Non-Executive Director on 29 November 2010. On 21 April 2011, Mr Tham took over as the Interim CEO. Subsequently, Mr Tham has been re-designated as an Executive Director on 18 September 2014. He was last re-elected on 30 April 2013.

Mr Tham brings with him over 25 years of experience in equity sales and private banking. He was a Senior Relationship Manager with OCBC Private Bank. Prior to joining OCBC Private Bank in March 2008, he held several senior positions as a Private Banker with major financial institutions such as UOB Bank Ltd, Credit Industriel et Commercial, Dexia BIL Asia Pte Ltd, DMG and Merrill Lynch (Singapore).

Mr Tham is equity sales experience includes working for companies such as Japan Asia Holdings Ltd., DMG and Partners Securities Pte Ltd, BT Brokerage and Associates Pte Ltd and Daiwa Singapore Ltd. Mr Tham graduated with a Social Science (with Honours) degree in Economics from the National University of Singapore in 1983.

MR YAP CHEE WEE
Non-Executive and Non-Independent Director

Mr Yap Chee Wee was appointed to the Board as a Non-Executive and Non-Independent Director on 18 September 2013 and was last re-elected on 28 April 2014.

He is a founder of Fleur Capital, a fund management company based in Singapore, and manages a portfolio of investments with operations in Singapore, China, Malaysia, Philippines and India. The investments are in the businesses of food and beverage, chemical fibres, information technology, training and consultancy.

Mr Yap is an Independent Director of Sunvic Chemical Holdings Ltd, a company listed on the SGX-ST and the largest producer of acrylic acid and acrylic esters in Asia.

Mr Yap has almost 20 years of experience in venture capital, corporate investment, investment banking and audit. He graduated from Nanyang Technological University (Singapore) with a Bachelor of Accountancy (Honours), and holds the Chartered Financial Analyst and Chartered Accountant Singapore certifications. He also completed the International Business Fellowship Programme at Qinghua University and Nanjing University.

MR YEUNG KIN BOND SYDNEY
Independent Director

Mr Yeung Kin Bond Sydney was appointed to the Board on 18 September 2013 as an Independent Director and was last re-elected on 28 April 2014.

Mr Yeung was one of the founders of Verde Asia Fund LLC in 2006 and has also been the managing director of Pioneer Capital Management, Inc. Mr Yeung is also currently an Executive Director and Group Chief Executive Officer of GSS Energy Limited (listed on the Catalist Board of the Singapore Exchange Securities Trading Limited) and Ares Asia Limited (listed on the Hong Kong Stock Exchange) and a director of Global Initiatives Communications Pte Ltd, Maiplay Pte Ltd, Arella Worldwide Limited and Roots Capital Strategic Pte Ltd.

Mr Yeung was the Executive Director and Group Chief Executive Officer of Giken Sakata (S) Limited ("Giken Sakata") which transferred its listing (Catalist Board of the Singapore Exchange Securities Trading Limited) to GSS Energy Limited on 12 February 2015. Subsequent to the transfer of listing, Mr Yeung remains as an Executive Director of Giken Sakata.

Mr Yeung has many years of experience in the financial industry, starting his career in the Institutional Equity Division at Morgan Stanley New York and as the Managing Director of International Trading at Van der Moolen, a US securities specialist firm. Mr Yeung received his Bachelor of Science degree from Fordham University and he is an active member of the Rotary Club in Singapore.

BOARD OF DIRECTORS (cont'd)

MR KWAK KYUNG JIK
Independent Director

Mr Kwak Kyung Jik was appointed to the Board as an Independent Director on 3 June 2011 and was last re-elected on 30 April 2013.

Mr Kwak brings with him more than 25 years of experience in legal practice. He served for 14 years as a judge at various district and high courts in the Republic of Korea including Seoul District Court and Seoul High Court, then practiced law at Bae, Kim & Lee LLC as a senior partner in the M&A/Corporate Restructuring Practice Group for 8 years on dispute resolutions and corporate transactions. He is currently the lead partner of Kwak & Co., which he founded in 2009.

Mr Kwak graduated from the Seoul National University with a degree in law in 1981 and has studied law at Columbia and Yale law schools. He is licensed to practice law in Korea and New York.

MR ROBERTO FABBRI
Independent Director

Mr Roberto Fabbri was appointed to the Board as an Independent Director on 15 May 2014.

He is the Managing Director of S.I.B. Consulting and holds directors in Faci Asia Pacific Pte Ltd, Seko Pte Ltd, Chimec Asia Pacific Pte Ltd and Innovative Exhibitions Pte Ltd. He is also a member of Osservatoria Asia, an Italian think-tank and Board Member of the EDB Alumni Society.

Mr Fabbri was formerly Project Manager at Riva & Mariani S.p.A (Milan) from 1979-1982, Managing Partner of Dynamic Exim Pte Ltd (Singapore) from 1983 to 1986, Centre Director for Italy (Milan) for Singapore Economic Development Board (EDB) and Managing Partner of Hanna Instruments (Asia Pacific) Pte Ltd in Singapore from 1989 – 1998. He was also Founder of President of the Italian Business Association in Singapore from 1991 – 1992, Founder and President of the European Business Association in Singapore in 1993, President of the Rotary Club of Marina City Singapore from 1999 – 2000. He was also a Director in the Italian Chamber of Commerce in Singapore for several years until 2008.

Mr Fabbri was conferred the title of Knight of the Republic of Italy (OMRI) in 1995 for services rendered to the Republic in the area of economic cooperation and labour, and the title of Knight of the Republic of Itality (OSSI) for the support and solidarity extended to the Italian community overseas. Both honours were conferred by the President of the Republic of Italy.

KEY MANAGEMENT

MR LIU DE HUANG
Chief Executive Officer and Executive Director

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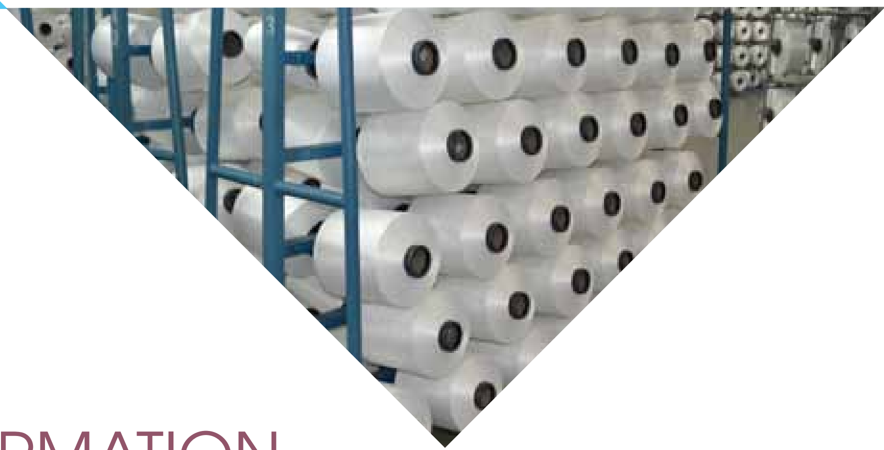

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive:
Liu De Huang *(Executive Director and Chief Executive Officer)*
Lin Xingdi
Tham Wan Loong, Jerome

Non-Executive:
Low Chai Chong *(Non-Independent Chairman)*
Kwak Kyung Jik *(Independent)*
Yeung Kin Bond Sydney *(Independent)*
Roberto Fabbri *(Independent)*
Yap Chee Wee *(Non-Independent)*

AUDIT COMMITTEE

Yeung Kin Bond Sydney *(Chairman)*
Kwak Kyung Jik
Tham Wan Loong, Jerome

NOMINATING COMMITTEE

Roberto Fabbri *(Chairman)*
Yeung Kin Bond Sydney
Tham Wan Loong, Jerome

REMUNERATION COMMITTEE

Kwak Kyung Jik *(Chairman)*
Roberto Fabbri
Tham Wan Loong, Jerome

COMPANY SECRETARY

Toh Li Ping, Angela (ACIS)

REGISTERED OFFICE

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SHARE REGISTRAR AND WARRANT AGENT

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Fax: +65 6236 4399

AUDITORS

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47 Hill Street #05-01
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AUDIT PARTNER-IN-CHARGE

Kong Chih Hsiang Raymond
Appointed w.e.f. financial year ended 31 December 2013

PRINCIPAL BANKERS

Bank of China (Singapore Branch)
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Singapore 049908

Bank of China (Huzhou Branch)
208 Renmin Road,
Huzhou City, Zhejiang Province
People's Republic of China 313000

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48 Hongqi Road,
Huzhou City, Zhejiang Province
People's Republic of China, 313000

Shanghai Pudong Development Bank (Huzhou Branch)
120 Tiyuchang Road
Huzhou City, Zhejiang Province
People's Republic of China, 313000

China Construction Bank
118 Hongqi Road
Huzhou City, Zhejiang Province
People's Republic of China, 313000

China Citic Bank (Fuzhou Cang Shan Branch)
216 Shanya Building
Shangshan Road
Cangshan District, Fuzhou City
Fujian Province
People's Republic of China, 350001

CORPORATE GOVERNANCE

Preamble

China Gaoxian Fibre Fabric Holdings Ltd. (the "Company") was listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 18 September 2009 and its Korean Depository Receipts ("KDRs") were dual listed on the Main Board of Korea Exchange ("KRX") on 25 January 2011.

During the audit of its FY2010 accounts, the Audit Committee ("AC") was informed by the Company's Auditors that it could not confirm nor verify certain bank balances in the Company's subsidiaries in the People's Republic of China ("PRC"). In view of this development, the Board, upon recommendation of the AC and in consultation with Singapore Exchange Securities Trading Limited ("SGX-ST") and KRX, appointed PricewaterhouseCoopers LLP as special auditors ("Special Auditors") to conduct a special review into the financial affairs of the Group, including its cash at banks and account receivables balances, as well as capital expenditures of the Group incurred during FY2010 and the financial quarter ended 31 March 2011. The trading of the securities of the Company on the SGX-ST and KRX were also halted on 25 March 2011.

The Special Auditors completed their review and a copy of their Executive Summary was announced on 4 May 2012 ("SA Report").

In view of the findings in the SA Report, the AC had replaced Mr Cao Xiangbin and Mr Chen Fen as Directors of the Company upon completion of the investment by Fleur Growth Fund Limited ("Investor") as announced by the Company previously. Further to the release of the SA Report, the Company had sought to reconstruct its accounting records but as the bulk of the accounting records prior to 1 April 2011 were not available, it was unable to do so.

Pursuant to legal advice from the Company's PRC legal counsel, the Board subsequently lodged a report with the Public Security Bureau of Tantou Town, Changle City, Fujian Province, PRC on 31 May 2012 in relation to the missing accounting books and records and the cash discrepancies. To-date, the Group has not received any report on the outcome of the preliminary investigation.

As part of the conditions imposed by SGX-ST for the resumption of trading, the AC had also on 22 August 2013 lodged a report with the Commercial Affairs Division of the Singapore Police Force on potential breaches of the Securities and Futures Act (Cap. 289 of Singapore) arising from the aforesaid discrepancies highlighted in the SA report. To-date, the Group has not received any report on the outcome of the preliminary investigation.

Upon the fulfilment of the resumption of trading conditions, the Company resumed trading of its securities on the SGX-ST on 18 September 2013 and its KDRs were subsequently delisted from the KRX on 4 October 2013.

Reshuffling of Board and Management prior to resumption of trading on 18 September 2013

As part of SGX-ST's requirement for resumption of trading, Mr Cao Xiangbin and Mr Chen Fen stepped down as Directors of the Company with effect from 22 August 2013. Mr Cao Xiangbin and his associates (including Mr Liu Yilin and Mr Chen Fen) had also stepped down from their existing positions as Directors, general managers, legal representatives and/or bank signatories of the Group companies. Following the aforesaid management reshuffle, new legal representative and general managers of the Company's principal PRC subsidiaries were appointed.

Further to the completion of the aforesaid investment by the Investor on 18 September 2013 (the "Completion Date"), the Investor had replaced China Success Group (International Holdings) Limited ("China Success") as the new controlling shareholder of the Company. The Investor has the right to approve the reconstituted board of directors of the Company, as well as put in place (i) a new management team, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"); and (ii) systems and controls that would augment and strengthen the corporate governance procedures of the Company (including but not limited to controls over the handling and use of the corporate seals of the Group).

In connection with the above, Mr Liu De Huang and Ms Liu Minqin were appointed as the new CEO and CFO of the Company respectively with effect from the Completion Date.

The Board and the Investor had accepted the resignation of Ms Liu Minqin as CFO of the Company, who had resigned due to family commitments, with effect from 31 March 2015. Consequent to the resignation of Ms Liu Minqin, Mr Yan Qingwei (James), the Assistant CFO of the Company, will undertake the functions of the CFO in the interim while the search for a suitable candidate is in progress. The Board would also like to thank Ms Liu for her services and contributions to the Company during a turbulent and trying period, and wish her well in her future endeavours.

Corporate Governance Framework

The Board of Directors ("Board") of the Company recognises that sound corporate governance practices are important to the proper functioning of the Company and its subsidiaries (the "Group") and enhances the interest of all shareholders.

This report describes the corporate governance framework and practices that have been adopted by the Company with specific reference to the principles of the Code of Corporate Governance 2012 (the "Code") and the Group's ongoing efforts to enhance its corporate governance practices in FY2014 .

This Report should be read as a whole, instead of being read separately under the different principles of the Code. Any deviations from the guidelines of the Code or areas of non-compliance have been explained accordingly. Save for the deviations disclosed below, the Board confirms that the Company has adhered to the principles and guidelines of the Code (where they are applicable, relevant and practicable to the Group).

(A) BOARD MATTERS

Board's Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

Role of the Board

The Board, in addition to its statutory responsibilities, assumes responsibility for stewardship of the Group and is primarily responsible for the protection and enhancement of long-term value and returns for the shareholders. It sets the overall strategy for the Group, oversees management of the Company ("Management") to ensure proper conduct of the business, performance and affairs of the Group, sets the values and standards (including ethical standards), and provides corporate direction to ensure that obligations to shareholders and other stakeholders are understood and met. Board members are expected to act in good faith and exercise independent judgement in the best interests of the Group. To fulfil this role, the Board's responsibilities include:

a. providing entrepreneurial leadership, guiding and setting the strategic objectives and directions to ensure that the necessary financial and human resources are in place for the Group to achieve its objectives;

b. advising Management on major policy initiatives and significant issues, and approving board policies, strategies and financial objectives of the Company;

c. approving annual budgets, key operational matters, major funding proposals, material acquisition and disposal of subsidiaries or assets and liabilities, corporate or financial restructuring and interested person transactions of a material nature, significant capital expenditures and investment and divestment proposals, dividend payment (if any) and convening of shareholders' meetings;

d. reviewing the performance of the Group towards achieving adequate shareholders' value, including but not limited to approving announcements relating to the Group's quarterly and full year's financial results, the audited financial statements and timely announcements of material transactions;

e. reviewing the processes relating to risk management systems and adequacy and effectiveness of internal controls, including financial, operational, compliance and information controls, identified by the Audit Committee ("AC") that are required to be strengthened for assessment and its recommendations on actions to be taken to address and monitor the areas of concern;

f. approving all Board appointments/re-appointments and appointments of key management personnel, as may be recommended by the Nominating Committee ("NC");

g. evaluating the performance and compensation of Directors and key management personnel, as may be recommended by the Remuneration Committee ("RC");

h. identifying key stakeholder groups and recognise that their perceptions affect the Group's reputation; and

i. overseeing the proper conduct of the Company's business and corporate policies, and assuming responsibility for corporate governance.

The Board provides shareholders with a balanced and understandable assessment of the Group's performance, position and prospects on a quarterly basis.

The Board will consider sustainability issues such as environmental and social factors as part of its strategic formulation in line with the recommendation of the Code. To assist in the Board in the execution of its responsibilities and to enhance the Group's corporate governance framework, the Board delegates specific authority to three Board Committees which include an AC, a NC and a RC, each of which functions within clearly defined terms of reference and operating procedures which are reviewed on a regular basis to ensure its continued relevance.

All Board Committees are chaired by an Independent Director and a majority of the members are Independent Directors. The Board accepts that while these Board Committees with the delegated power to make decisions, execute actions or make recommendations in their specific areas respectively and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility for the decisions and actions rests with the Board.

The members of the reconstituted Board ("Reconstituted Board") and Board Committees in FY2014 are as follows:-

Name of Directors	AC	NC	RC
Low Chai Chong (Non-Executive and Non-Independent Chairman)	-	-	-
Yap Chee Wee (Non-Executive and Non-Independent Director)	-	-	-
Tham Wan Loong, Jerome (Executive Director) [1]	M	M	M
Kwak Kyung Jik (Independent Director)	M	-	C
Yeung Kin Bond Sydney (Independent Director)	C	M	-
Roberto Fabbri (Independent Director) [2]	-	C	M
Liu De Huang (Chief Executive Officer and Executive Director) [3]	-	-	-
Lin Xingdi (Executive Director) [4]	-	-	-

Notes:

C - Chairman
M – Member

[1] Mr Tham Wan Loong, Jerome was first appointed as a Director on 24 November 2008 and designated as an Independent Director on 30 June 2009.

In connection with the Dual Listing on the KRX, the Company re-designated Mr Jerome Tham from an Independent Director to a Non-Executive Director of the Company with effect from 29 November 2010. The re-designation of Mr Jerome Tham as a Non-Executive Director was in compliance with KRX requirements in relation to independent directors, as Mr Jerome Tham was deemed non-independent under the KRX requirements, due to him having acted as a nominee resident director of the Company prior to the Company's conversion into a public limited liability company for purposes of its listing on the SGX-ST.

With effect from 21 April 2011, Mr Jerome Tham (who was the Non-executive Director of the Company then) took over as interim CEO to supervise the day-to-day operation, review the financial controls and facilitate any investigation into the affairs of the Group, in place of Mr Cao Xiangbin who stepped down as CEO pending the release of the report of the Special Auditors.

Mr Jerome Tham was subsequently re-designated as an Executive Director on the Completion Date to assist the new Management .

[2] Mr Yeo Guat Kwang retired at the Company's AGM on 28 April 2014. With his retirement, he stepped down as the Chairman of the Nominating Committee and a member of the Remuneration Committee. Consequently, Mr Kwak Kyung Jik and Mr Yeung Kin Bond Sydney, Independent Directors of the Company were appointed as the Chairman of the NC and a member of the RC respectively in place of Mr Yeo.

Roberto Fabbri was appointed as an Independent Director of the Company, Chairman of the NC and a member of the RC on 15 May 2014. Accordingly, Mr Kwak Kyung Jik and Mr Yeung Kin Bond, Sydney stepped down as Chairman of the NC and a member of the RC respectively.

[3] Mr Liu De Huang, the Company's Chief Executive Officer, was appointed as an Executive Director of the Company on 15 May 2014.

[4] Mr Lin Xingdi, the General Manager and legal representative of Huaxiang (China) Premium Fibre Co., Ltd and legal representative of Fujian New Huawei Fibre Dyeing Co., Ltd and Zhejiang Huagang Polyester Industrial Co., Ltd, was appointed as an Executive Director of the Company on 15 May 2014.

Each Executive Director was provided with a Service Agreement setting out their terms of office, terms and conditions of appointment. The NC and the Board are satisfied that the Non-Executive Directors are familiar with their duties and aware of their obligations.

Board Meetings and Meetings of Board Committees

The Board meets on a quarterly basis and ad-hoc Board meetings will be convened when they are deemed necessary for the discharge of their duties. These meetings are scheduled in advance to facilitate the individual Directors' planning in view of their ongoing commitments. The Company's Articles of Association allow meetings of the Board and Board Committees to be conducted by way of telephone and video conferencing or other similar means of communications. In place of physical meetings, decisions of the Board and Board Committees may also be obtained through circular resolutions.

Directors may request further explanations, briefing or discussion on any aspect of the Group's operations or business from Management. When circumstances require, Board members exchange views outside the formal environment of Board meetings. The Board conducts an annual review of its processes to ensure that it is able to carry out its functions in the most effective manner.

The approval of the Board is required for any matters which are likely to have a material impact on the Group's operating units and/or financial positions as well as matters other than in the ordinary course of business. In addition, the Listing Manual of the SGX-ST ("SGX Listing Manual") and the Act provides for certain transactions that require the Board's approval. The Board believes that when taking decisions, all directors of the Board discharge their duties and responsibilities at all times as fiduciaries and act objectively in the interests of the Company.

The number of meetings held by the Board and Board Committees and attendance thereat for the financial year ended 31 December 2014 are as follows:

DIRECTORS	BOARD	AC	RC	NC
No. of meetings held	5	4	1	1
	ATTENDANCE			
Tham Wan Loong, Jerome	5/5	4/4	1/1	1/1
Kwak Kyung Jik	5/5	4/4	1/1	N.A.
Low Chai Chong	5/5	N.A.	N.A.	N.A.
Yap Chee Wee	5/5	N.A.	N.A.	N.A.
Yeung Kin Bond Sydney	5/5	4/4	N.A.	1/1
Roberto Fabbri[1]	3/3	N.A.	1/1	1/1
Liu De Huang[2]	3/3	N.A.	N.A.	N.A.
Lin Xingdi[2]	3/3	N.A.	N.A.	N.A.
Yeo Guat Kwang[3]	0/1	N.A.	N.A.	N.A.

1 Mr Roberto Fabbri was appointed as an Independent Director, NC Chairman and a RC member on 15 May 2014.
2 Mr Liu De Huang (the Chief Executive Officer of the Company) and Mr Lin Xingdi were appointed as Executive Directors on 15 May 2014.
3 Mr Yeo Guat Kwang retired as an Independent Director of the Company at the AGM held on 28 April 2014 and stepped down as NC Chairman and a RC member.

Training

All Directors have many years of corporate experience and are familiar with their duties and responsibilities as Directors. The Directors also have the opportunity to visit the Group's operational facilities and meet up with Management to gain a better understanding of the Group's business operations. In addition, the Company has in place a programme whereby newly appointed Directors will be given briefings and orientation training by key management personnel of the Company on the business activities of the Group, Group structure, its strategic direction, vision and values, policies and governance practice as well as their duties and responsibilities as directors. The Directors are also briefed by professionals either during Board meetings or at separate meetings on regulatory changes which have an important bearing on the Company and the Directors' obligations to the Company.

Directors may also attend relevant courses, conferences, seminars, workshops or training programs at the Company's expense to enable them to effectively discharge their duties as a Director, if required, from time to time.

CORPORATE GOVERNANCE (CONT'D)

Board Composition and Balance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The current composition of the Directors in the Board and Board Committees is set out under Principle 1 above.

Presently, the Board comprises three Executive Directors and five Non-Executive Directors, three of whom are independent. Accordingly, pursuant to Guideline 2.1 of the Code, at least one-third of the Board is made up of Independent Directors.The Board is cognizant of the need to comply by its Annual General Meeting in 2018, with Guideline 2.2 of the Code which provides that where the Chairman is, inter alia, not an Independent Director, the Independent Directors should make up at least half of the Board.

The size and composition of the Board are reviewed from time to time by the NC to ensure that the size of the Board is appropriate and conducive to facilitate effective discussions and decision making.

The review will also ensure that there is an appropriate mix of expertise and experience, which the Group may tap on for assistance in furthering its business objectives and shaping its business strategies. The NC, with the concurrence of the Board, is of the view that the current Board size of eight members is adequate, taking into account the nature and size of the Group's operations, and the requirements of the business.

Together, the current Board and Board Committees comprise Directors who as a group provide an appropriate balance and diversity of expertise, experience and knowledge of the Company. They also provide core competencies such as accounting, legal, business, management, finance and risk management, industry knowledge and strategic planning experience necessary to meet the Company's requirements. The diversity of the Directors' background allows for the useful exchange of ideas and views.

Non-Executive Directors contribute to the Board process by monitoring and reviewing Management's performance against goals and objectives. Their views and opinions provide alternative perspectives to the Group's business. When challenging Management proposals or decisions, they bring independent judgement to bear on business activities and transactions involving conflicts of interest and other complexities.

The Reconstituted Board shall serve for a period of three (3) years from the Completion Date and shall, unless they are disqualified to act as Directors in accordance with applicable laws or are in breach of their duties to the Company, not be removed during this period without the prior consent of the Investor.

The appointment and continuation of service by any such Director to and on the Reconstituted Board shall require the prior approval (such approval shall not be unreasonably withheld) of the Investor.

Shareholders should note that as the directors are appointed at a Shareholders' meeting, Shareholders would have the right to remove such Directors if they so wish. However, the Company would be required to obtain the Investor's concurrence for any appointment of new Directors during the aforesaid three (3) year-period.

Notwithstanding the above, the directors will be subject to retirement by rotation under the Company's Articles of Association as disclosed in Principle 4 – Board Membership.

Key information regarding the Directors is set out on pages 8 to 10 of the Annual Report.

Chairman and Chief Executive Officer

Principle 3: ***There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business. No one individual should represent a considerable concentration of power.***

With the resumption of trading on 18 September 2013, Mr Liu De Huang was appointed as the CEO of the Company and Mr Low Chai Chong was appointed as the Non-Executive and Non-Independent Chairman of the Company.

As the CEO, Mr Liu De Huang is responsible for the day-to-day operations of the Group and the execution of the strategic plans set out by the Board and ensures that the Directors are kept updated and informed of the Group's business and the Huaxiang Project as defined in the Company's Circular dated 29 May 2013. The CEO, together with the Executive Director, CFO and Management comprising each subsidiary's general managers and key management personnel, are responsible for the day-to-day management of the Group. Mr Liu was also appointed as an Executive Director on 15 May 2014.

As Chairman of the Board, Mr Low bears responsibility for the effectiveness of the Board. He is responsible for, amongst others, setting agenda, in particular, strategic issues and ensuring that adequate time is available for discussion of all agenda items and ensuring that the Directors receive complete and adequate, timely and clear information. In addition to making sure that effective communication is achieved with the shareholders, he acts as facilitator to Non-Executive Directors for them to effectively contribute to the Group. He is also responsible for encouraging constructive relations within the Board and between Management and the Board, and promoting high standards of corporate governance. The Company Secretary assists the Chairman in scheduling the Board and Board Committees' meetings with the Executive Director, CFO and Management.

Accordingly, different individuals assume the roles of the Chairman of the Board and the CEO respectively. The separation of the roles of the Chairman and CEO ensures a balance of power and authority such that no one individual represents a considerable concentration of power. Mr Liu De Huang and Mr Low Chai Chong are not related to each other.

The above is not an exhaustive description of the current or future roles of the Chairman and CEO. The roles of the Chairman and CEO may change in line with any developments that affect the Group.

While the Board acknowledges that the Non-Executive Chairman is not an independent Director, the Board is of the view that the appointment of a Lead Independent Director is not necessary as the Company has established a process for handling shareholders' feedback through the Audit Committee. Besides, the Independent Directors confer amongst themselves when necessary, without the presence of the other directors, and the Independent Directors provide feedback to the Chairman after such meetings as appropriate.

Board Membership

Principle 4: ***There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.***

Currently, the NC comprises of majority Independent Directors and an Executive Director. It is chaired by Mr Roberto Fabbri (an Independent Director) with the following Directors as members:

Yeung Kin Bond Sydney (Independent Director)
Tham Wan Loong, Jerome (Executive Director)

Please refer to details set out under Principle 1 for more information on the reconstitution of the NC during FY2014.

CORPORATE GOVERNANCE (CONT'D)

The primary functions of the NC are as follows:

- to identify candidates and review all nominations for the appointment and reappointment or re-election of members of the Board, the CEO of the Group, and to determine their selection criteria;
- to ensure that all Board appointees undergo an appropriate induction programme;
- to regularly review the Board structure, size and composition and make recommendations to the Board with regard to any adjustments that are deemed necessary;
- to identify gaps in the mix of skills, experience and other qualities required in an effective Board and to nominate or recommend suitable candidates to fill these gaps;
- to decide whether a Director is able to and has been adequately carrying out his duties as a Director of the Company, particularly where the Director has multiple board representations;
- to review the independence of each Director annually;
- to decide how the Board's performance may be evaluated and propose objective performance criteria for the Board's approval; and
- to evaluate the effectiveness of the Board as a whole and assesses the contribution by each individual Director, to the effectiveness of the Board.

For the year under review, the NC held one (1) meeting.

Mr Roberto Fabbri, Mr Liu De Huang and Mr Lin Xingdi who were appointed on 15 May 2014 did not have any prior experience as a director of a listed company in Singapore.

Notwithstanding the above, since their appointment, Mr Fabbri, Mr Liu and Mr Lin had attended and participated in all Board meetings as well as other Board Committees' meetings by invitation to familiarise themselves with the workings of the Board and Board Committees during the course of FY2014. The Company will make the necessary arrangements for them to attend appropriate training courses so as to familiarise them with the roles and responsibilities as a director of a listed company in Singapore.

The NC is responsible for reviewing the independence of each Director on an annual basis. The NC had adopted the Code's definition of what constitutes an independent director and guidelines as to relationships which would deem a director not to be independent. In addition, the NC requires each Independent Director and members of the Board Committees to assess his own independence by completing a Confirmation of Independence form which is drawn up in accordance with the guidelines of the Code and which forms part of the NC and the Board's rigorously review of the Director's Independence. The said form requires each Director to state whether he considers himself independent despite having any of the relationships identified in the Code which would deem him not to be independent, if any, and to declare whether he has served on the Board beyond nine years from the date of his first appointment and if so, the reason(s) why he should be considered independent.

Mr Tham Wan Loong, Jerome, who is an Executive Director, is considered not independent of the Company's Management as contemplated by the Code. Both the NC and the Board had noted Mr Tham's declaration.

Save as disclosed, none of the other aforementioned Directors are related and do not have any relationship with the Company, its related corporations, its substantial shareholder with a shareholding of 10% or more, or its officers or are in any circumstances that could interfere or be reasonably perceived to interfere, with the exercise of their independent business judgement with a view to the best interests of the Company.

The Board, with the concurrence of the NC, having considered the Confirmation of Independence forms submitted by Messrs Yeung Kin Bond Sydney, Kwak Kyung Jik and Roberto Fabbri, concluded that they are independent and free from any relationships outlined in the Code. None of the Independent Directors has served on the Board beyond nine years from the date of his first appointment.

The NC has reviewed whether a director has been adequately carrying out his duties as a director of the Company, particularly if he has multiple Board representations in listed companies and other principal commitments pursuant to the recommendations of the Code.

Having considered the confirmations received from Yeung Kin Bond Sydney, Kwak Kyung Jik, Roberto Fabbri and Tham Wan Loong, Jerome, the NC concluded that such multiple Board representations and other principal commitments (where applicable) do not hinder each Director from carrying out his duties as Director of the Company. The NC is satisfied that sufficient time and attention have been accorded by these Directors to the affairs of the Company. The Board concurred with the NC's views.

In determining whether each Director is able to devote sufficient time to discharge his duty, the NC has taken cognizance of the Code requirement, but is of the view that its assessment should not be restricted to the number of board representations of each Director and his respective principal commitments per se. The contributions by Directors to and during meetings of the Board and Board Committees as well as their attendance at such meetings, in addition to each of their principal commitments, should also be taken into account. The NC and the Board will review the number of listed company board representations of the Directors on an annual basis or from time to time when the need arises.

The Directors will submit themselves for re-nomination and re-election at regular intervals of at least once every three (3) years. Under Article 114 of the Company's Articles of Association, one-third of the Directors for the time being (or if their number is not a multiple of three, the number nearest to but not lesser than one-third) shall retire from office by rotation. Article 118 of the Company's Articles of Association also requires any person appointed as a Director of the Company during the year to hold office only until the next Annual General Meeting following their appointment.

The retiring Directors are eligible to offer themselves for re-election. In reviewing and recommending to the Board the re-nomination and re-election of existing Directors, the NC takes into consideration the Directors' contribution and performance at Board meetings, including attendance, preparedness, participation and candour.

The NC, having considered the attendance and participation of the following Directors at Board and Board Committees meetings, in particular, their contributions to the business and operations of the Company as well as Board processes, had recommended to the Board the re-election of Mr Tham Wan Loong, Jerome and Mr Kwak Kyung Jik who will be retiring to Article 114 and Mr Roberto Fabbri, Mr Liu De Huang and Mr Lin Xingdi who will be retiring pursuant to Article 118 at the forthcoming AGM.

The Board had accepted the recommendation of the NC and accordingly, Messrs Tham Wan Loong, Jerome, Kwak Kyung Jik, Roberto Fabbri, Liu De Huang and Lin Xingdi will be offering themselves for re-election.

Each member of the NC had abstained from making any recommendations and/or participating in any deliberation of the NC and from voting on any resolution, in respect of the assessment of his own performance or re-nomination, if any, as a Director.

In its search and nomination process for new directors, the NC has, at its disposal, search companies, personal contacts and recommendations, to cast its net as wide as possible for the right candidates.

As mentioned in Principle 2 above, the composition and membership of the Board had been reconstituted upon completion of the investment by the Investor and any appointment and confirmation of service by any Director to and on such Reconstituted Board shall also require the prior approval of the Investor (such approval not to be unreasonably withheld).

CORPORATE GOVERNANCE (CONT'D)

Board Performance

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

The NC reviews the criteria for evaluating the Board's performance and recommends to the Board a set of objective performance criteria focusing on enhancing long-term shareholders' value. Based on the recommendations of the NC, the Board has established processes for evaluating the effectiveness of the Board as a whole.

Currently, the Board does not assess the performance of each Director or at the Board Committees' level. The NC and Board will review the need to have the assessments of Board Committees and individual Board members. To-date, no external facilitator has been used.

During FY2014, the Board had adopted a Board Performance Evaluation questionnaire which is in line with the Code, the content of which are as follows:-

- size and composition of the Board
- Board's access to information
- Board's Process, Internal Control & Risk Management
- Board Accountability
- CEO/Top Management
- Standards of Conduct

An evaluation of Board performance will be conducted annually by the NC as a form of good Board management practice.

The evaluation exercise will provide feedback from each director, his views on the Board process and procedures as well as the effectiveness of the Board as a whole. The results of the Board performance evaluation would be collated and presented to the NC for discussion. As there was no Board performance evaluation conducted in FY2013, there were no comparatives with the previous year's results.

The NC was generally satisfied with the results of the Board performance evaluation for FY2014, which indicated areas of strengths and those that could be improved further. The NC had discussed the results with Board members who agreed to work on those areas that could be improved further. The NC would continue to evaluate the process for such review and its effectiveness from time to time.

Access to Information

Principle 6: In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

To assist the Board in fulfilling its responsibilities, Management is required to provide complete, adequate and timely updates on Board affairs and issues that require the Board's decision to the Board from time to time and, when applicable, as and when requested by the Board. Information provided included background or explanations relating to matters to be brought before the Board and copies of disclosure documents, budgets, forecasts and internal financial statements. In respect of budgets, any material variance between the projection and actual results were also disclosed and explained.

The CEO, Executive Directors, CFO and Management keep Board members abreast of key developments affecting the Group as well as material transactions in order that the Board is fully aware of the affairs of the Group. Management provides reports and financial statements to the Board on a quarterly basis. The bulk of the Board and Board Committees' papers are sent to Directors at least three working days before such meeting so that the Directors may have a better understanding of the matters prior to the meeting and discussions may be focused on questions that the Directors have on these matters.

Financial highlights of the Group's performance and developments are presented on a quarterly basis at Board meetings. The CEO and Management are present at these presentations to address any queries which the Board may have. All Directors have separate and independent access to Management and Company Secretary at all times. Directors are also entitled to request from Management and be provided with additional timely information as needed in order for them to make informed decisions.

The Company Secretary and/or her representative(s) attend all Board meetings and ensure that Board procedures and all other rules and regulations applicable to the Company are complied with. The Company Secretary also follow the direction of the Chairman to ensure that there is sufficient/pertinent information flow within the Board and its committees and between Management and Non-Executive Directors, as well as to facilitate orientation and assist with professional development when required to do so. The appointment and removal of the Company Secretary are subject to approval by the Board.

Changes to regulations are closely monitored by Management and for changes which have an important bearing on the Company or the Directors' disclosure obligations, the Directors are briefed during Board meetings.

The Directors and the chairmen of the respective committees, whether as a group or individually, are able to seek independent professional advice as and when necessary in furtherance of their duties at the Company's expense. The appointment of such independent professional advisor is subject to approval by the Board.

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

Currently, the RC comprises a majority of Independent Directors and an Executive Director. It is chaired by Mr Kwak Kyung Jik (Independent Director) with the following Directors as members:

Roberto Fabbri (Independent Director)
Tham Wan Loong, Jerome (Executive Director)

Please refer to details set out under Principle 1 for more information on the reconstitution of the RC during FY2014.

In view of the challenges in recruitment and staff retention of the Group and to assist in the transition of the Reconstituted Board and RC, Mr Tham Wan Loong, Jerome has remained as a member of the RC to provide direct assistance to the Company's compensation and human resource policies.

The members of the RC have many years of corporate experience and are knowledgeable in the field of executive compensation. In addition, the RC has access to expert professional advice on remuneration matters as and when necessary.

CORPORATE GOVERNANCE (CONT'D)

The responsibilities of the RC include the following:

- to review Directors' fees to ensure that they are at sufficiently competitive levels;
- to review and advise the Board on the terms of appointment and remuneration of its members, CEO, key management personnel, key management personnel of the Group and all managerial staff who are related to any of the Directors or the CEO;
- to review the terms of the employment arrangements with management so as to develop consistent group wide employment practices subject to regional differences;
- to recommend to the Board in consultation with key management personnel and the Chairman of the Board, any long term incentive scheme; and
- to review and approve any proposals or recommendations relating to key management personnel's remuneration.

For the year under review, the RC held one (1) meeting.

During FY2014, the RC had adopted a new set of Terms of Reference to be in line with the Code.

The recommendation of the RC for the remuneration of Directors would be submitted for endorsement by the Board and should cover all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits in kind. No Director or member of the RC is involved in deciding his own remuneration.

The Company did not appoint any remuneration consultant. If required, the RC will seek expert advice inside and/or outside the Company on remuneration of all Directors and key management personnel.

Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

In setting remuneration packages, the RC takes into consideration the prevailing economic situation, the pay and employment conditions within the industry and in comparable companies such that Directors are adequately but not excessively remunerated. As part of its review, the RC ensures that the performance related elements of remuneration form a significant part of the total remuneration package of Executive Directors and is designed to align the Directors' interests with those of shareholders and link rewards to corporate and individual performance. The RC also reviews all matters concerning the remuneration of Non-Executive Directors to ensure that the remuneration commensurate with the contribution and responsibilities of the Directors. The Company submits the quantum of directors' fees of each year to the shareholders for approval at each Annual General Meeting ("AGM").

The service contract of the Company's then CEO and Executive Chairman, Mr Cao Xiangbin, dated 25 November 2008 was suspended on 21 April 2011 when he was re-designated to Non-Executive Chairman. As a condition for the Investor's investment, Mr Cao had entered into a consultancy agreement (in a form satisfactory to the Company and the Investor) with the Company.

Further to the reconstitution of the Board, Mr Tham Wan Loong, Jerome had entered into a Service Agreement with the Company commencing 18 September 2013, pursuant to which he is paid a monthly salary and allowances and is further entitled to an annual variable performance bonus payable at the Board's sole discretion and it shall be dependent on the Group and individual's performance. The said Service Agreement is in force without any limit or until the termination by either party upon giving to the other party notice in writing of at least one (1) month and supersedes all earlier Service Agreement entered into, including the Service Agreement dated 6 June 2011 for Mr Tham's appointment as an interim CEO.

The Company's key management personnel, Mr Liu De Huang, the CEO had entered into a Service Agreement with the Company commencing 18 September 2013, pursuant to which he is paid a monthly salary and allowances and is further entitled to an annual variable performance bonus payable at the Board's sole discretion and it shall be dependent on the Group and individual's performance. The Service Agreement of Mr Liu De Huang is in force without any limit or until the termination by either party upon giving to the other party notice in writing of at least one (1) month.

There are no onerous compensation commitments on the part of the Company or its subsidiary in the event of an early termination of the service of an Executive Director or key management personnel.

Given the current situation of the Group, the Company is of the view that it is not necessary to use contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company.

The RC will carry out an annual review of the Executive Directors and key management personnel's remuneration packages to ensure that their remuneration commensurate with their performance, giving due regard to the financial health and business needs of the Group. For FY2014, the RC is satisfied with the Executive Directors and key management personnel's remuneration packages which is in accordance with their Service Agreement as well as the fees paid to Mr Cao which is in accordance with his consultancy agreement and recommended the same for Board approval. The Board had approved the RC's recommendation accordingly. In 2014, the RC had benchmarked the Director's fees against the average directors' fees for small listed companies with market capitalisation below S$100 million and Directors' fees amounting to S$205,000 for the financial year ending 31 December 2014 was proposed and approved by the shareholders at the last AGM.

Directors' fees amounting to S$205,000 for the financial year ending 31 December 2015 have been proposed for payment in arrears on a quarterly basis. This recommendation has been endorsed by the Board and will be tabled at the forthcoming AGM for shareholders ` approval.

The RC, with the concurrence of the Board, is of the view that the current remuneration of the Non-Executive Directors is appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the Directors. Other than directors' fees, which have to be approved by shareholders at every AGM, the Independent Directors do not receive any other forms of remuneration from the Company.

No Director is involved in deciding his or her own remuneration.

Presently, the Company does not have any share option or long term incentive scheme in place.

Disclosure on Remuneration

Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

A breakdown of the remuneration of the Directors and the top 5 key management personnel (who are not directors) for the financial year ended 31 December 2014 ("FY2014") are set out below:

Remuneration of the Directors

Remuneration band and names of Directors	Salary %	Variable/ Performance-related Income/ Bonus %	Benefits in Kind %	Directors' fees %	Total %
Below S$250,000					
(1) Tham Wan Loong, Jerome	100	-	-	-	100
(2) Kwak Kyung Jik	-	-	-	100	100
(2) Low Chai Chong	-	-	-	100	100
(2) Yap Chee Wee	-	-	-	100	100
(2) Yeung Kin Bond Sydney	-	-	-	100	100
(2)(3) Yeo Guat Kwang	-	-	-	25	25
(4)(6) Liu De Huang	63	-	-	-	63
(4)(6) Lin Xingdi	63	-	-	-	63
(2)(7) Roberto Fabbri	-	-	-	75	75

(1) Pursuant to Service Agreement. Please refer to details set out under Principle 8 on Mr Tham Wan Loong, Jerome's remuneration.

(2) The Directors' fees had been approved at the Annual General Meeting held on 28 April 2014.

(3) Mr Yeo Guat Kwang retired as an Independent Director at the AGM held on 28 April 2014.

(4) Mr Liu De Huang, the Chief Executive Officer, was appointed as an Executive Director of the Company on 15 May 2014. His remuneration from 1 January 2014 to 14 May 2014 is disclosed under key management personnel below.

(5) Mr Lin Xingdi, the General Manager and legal representative of Huaxiang (China) Premium Fibre Co., Ltd and legal representative of Fujian New Huawei Fibre Dyeing Co., Ltd and Zhejiang Huagang Polyester Industrial Co., Ltd, was appointed as an Executive Director of the Company on 15 May 2014. His remuneration from 1 January 2014 to 14 May 2014 is disclosed under key management personnel below.

(6) Pursuant to Service Agreement.

(7) Mr Roberto Fabbri was appointed as an Independent Director of the Company on 15 May 2014.

Remuneration of top 5 Key Management Personnel (who are not directors) for FY2014 are as follows:-

Remuneration band and names of key management personnel (who are not directors)	Salary %	Variable/Performance-related Income/Bonus %	Benefits in Kind %	Total %
Below S$250,000				
[1]Liu De Huang	37	-	-	37
[2]Liu Minqin	100	-	-	100
[3]Lu Songmin	42	-	-	42
[3]Zhang Benyong	58	-	-	58
[4]Lin Xingdi	37	-	-	37

1 Mr Liu De Huang, the Chief Executive Officer, was appointed as an Executive Director of the Company on 15 May 2014. His remuneration from 15 May 2014 to 31 December 2014 is disclosed under Directors' remuneration above.

2 Ms Liu Minqin had resigned as CFO with effect from 31 March 2015.

3 Mr Lu Songmin (General Manager of Fujian New Huawei Fibre Dyeing Co., Ltd) and Mr Zhang Benyong (General Manager of Zhejiang Huagang Polyester Industrial Co., Ltd) resigned on 31 May 2014 and 31 July 2014 respectively.

4 Mr Lin Xingdi, the General Manager and legal representative of Huaxiang (China) Premium Fibre Co., Ltd and legal representative of Fujian New Huawei Fibre Dyeing Co., Ltd and Zhejiang Huagang Polyester Industrial Co., Ltd, was appointed as an Executive Director of the Company on 15 May 2014. His remuneration from 15 May 2014 to 31 December 2014 is disclosed under Directors' remuneration above.

The aggregate remuneration paid to the abovementioned key management personnel for FY2014 is approximately S$465,728.

There are no employees of the Group who are immediate family members of a Director or the CEO during FY2014.

There are no termination, retirement and post-employment benefits that may be granted to Directors, the CEO and the top key management personnel. Due to the confidentiality and commercial sensitivity attached to remuneration matters, in particular those of our top key management personnel, given the highly competitive environment in the Group operates in, the Company has not fully disclosed the remuneration of each individual director and key management personnel. Instead, the disclosures had been provided in applicable bands of S$250,000 as above, with a breakdown in percentage of remuneration/fees earned through fees, base/fixed salary, variable or performance-related income/bonuses and benefits in kind.

(C) ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board believes in conducting itself in ways that deliver the maximum sustainable value to the shareholders. In presenting the financial statements and periodic results announcements to the shareholders, it is the Board's aim to provide a balanced, understandable and comprehensive assessment of the Group's performance and prospects, with detailed analysis and explanations.

In line with the requirements of the SGX-ST, negative assurance statements were issued by the Board to accompany the Group's quarterly financial results announcements, confirming to the best of the Board's knowledge that nothing had come to the Board's attention which could render the Company's results announcements to be false and misleading.

The Company is not required to issue negative assurance statements for its full year results announcement.

CORPORATE GOVERNANCE (CONT'D)

Internal Controls and Internal Audit

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that the Management maintains a sound system of risk management and internal controls to safeguard the shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

Principle 13: The company should establish an internal audit function that is adequately resourced and independent of the activities it audits.

The Board acknowledges that it is responsible for the overall internal control framework and ensuring that Management maintains a sound system of internal controls to safeguard shareholders' interests and the assets of the Group.

The role of the Internal Auditors is to support the AC in ensuring that the Group maintains a sound system of internal controls by monitoring and assessing the effectiveness of key controls and procedures, conducting in-depth audits of high risk areas and undertaking investigations as directed by the AC.

Management reviews all significant control policies and procedures and highlights all significant matters to the Directors and AC. Management regularly reviews the Company's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks.

As mentioned in the preamble, the Investor has the right to put in place new systems and controls that would augment and strengthen the corporate governance procedures of the Group. In addition, the Investor also has the right to (i) request for the existing legal representative(s) of any or all of the Group Companies to step down from his or her position and relinquish the corporate seal of such Group Companies; (ii) appoint new legal representative(s) for such Group Companies; and (iii) appoint new candidates as CEO and CFO.

In view of the above, to assist the Board in carrying out its responsibility of overseeing the Group's risk management framework, processes and policies, the AC, with the concurrence of the Board, had outsourced the Company's internal audit function to JF Virtus Pte. Ltd. ("JF Virtus") subsequent to the resumption of trading on the SGX-ST. In addition, JF Virtus has also been commissioned to assist Management in the Group's Enterprise Risk Management ("ERM") since November 2013 to complement the Group's internal audit plan. The objectives of the ERM and internal audit services are to identify and assess the strategic, financial, operational, compliance and information technology risks of the Group. The process encourages increased risk awareness and enhanced risk understanding among both the participants and the recipients of the assessment. A report which documented the Group's risk management profile summarising the risks faced by the Group and the counter measures in place to manage or mitigate those risks identified, results of ERM and internal audit observations had been submitted to the AC during FY2014.

In FY2014, a Risk Management Committee ("RMC") comprising the following members of Management was set up to identify, assess and manage the risks of the Group:

- Mr Liu De Huang, Chief Executive Officer
- Ms Liu Minqin, Chief Financial Officer*,
- Mr Yan Qingwei (James), Assistant Chief Financial Officer
- Mr Tham Wan Loong, Jerome, Executive Director

**With the resignation of Ms Liu Minqin on 31 March 2015, she had ceased as a member of the RMC accordingly.*

The RMC will hold monthly meetings and the members of the Audit Committee are invited to attend the RMC meetings should they wish to attend.

The AC, with the assistance of the RMC, Internal and External Auditors, reviews the adequacy of the Company's internal financial controls, operational, information technology and compliance controls, and risk management policies and internal controls systems established by Management on an annual basis.

The AC will review the adequacy of the internal audit function annually to ensure that the internal audit function is sufficiently resourced and is able to perform its function effectively and objectively. For FY2014, the AC is satisfied that JF Virtus has adequate resources and experience to meet its internal audit obligations.

The Internal and External Auditors have, during the course of their audits, carried out a review of the effectiveness of key internal controls within the scope of their audit. Material non-compliance and internal control weaknesses noted during their respective audits and their recommendations are reported to the AC. The AC has reviewed the ERM and Internal Audit Reports and Internal/External Auditors' comments to ensure that there are adequate internal controls in the Group and follow up actions from the last audit reviews have been implemented. The AC will ensure that recommendations by the Internal and External Auditors, arising from the FY2014 audits be followed up and implemented by Management at the next audit reviews or within the timeline stipulated in the respective audit reports for FY2015.

In line with the Code, the AC, with the concurrence of the Board, had adopted a Management Assurance Confirmation Statement ("Management Assurance Statement") in February 2014. For FY2014, the CEO and CFO had provided a Management Assurance Statement confirming that:

(i) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances;
(ii) to the best of its knowledge, nothing has come to their attention as Management, which would render the interim financial statements to be false or misleading in any material aspect;
(iii) Management is aware of their responsibilities for establishing, maintaining and evaluating the effectiveness of the risk management and internal control systems of the Company;
(iv) Management is not aware of any known significant deficiencies in the risk management and internal control systems relating to preparation and reporting of financial data, or of any fraud; and
(v) the internal controls, including financial, operational, compliance and information technology controls, and risk management systems are adequate and effective.

Management has updated the AC that there are no known significant deficiencies or lapses in risk management and internal controls systems relating to the Company's financial, operational, compliance and information technology controls which could adversely affect the Company's ability to record, process, summarise or report financial data, or any fraud, whether material or not that involves Management or other employees who have a significant role in the Company's internal controls.

The Board recognises that no internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The review of the Group's internal control system is a concerted and continuing process.

As recommended by the SGX-ST, an opinion of the Board with the concurrence of the AC on the adequacy and effectiveness of the internal controls, addressing financial, operational, compliance and information technology risks, and risk management systems, is set out in the Directors' Report under pages 8 to 10 of the Annual Report.

The Group's financial risk management is disclosed under Note 29 of the Notes to the Financial Statements on pages 91 to 99 of this Annual Report.

Audit Committee

Principle 12: The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

The AC comprises of majority Non-Executive Directors and Independent Directors and an Executive Director. The AC is chaired by Mr Yeung Kin Bond Sydney (Independent Director) with the following Directors as members:

Kwak Kyung Jik (Independent Director)
Tham Wan Loong, Jerome (Executive Director)

Please refer to details set out under Principle 1 for more information on the reconstitution of the AC during FY2014.

All members of the AC have many years of experience in senior management positions in financial, legal and industrial sectors. The Board is of the view that the AC members, having recent and relevant accounting and/or related financial management expertise or experience, are appropriately qualified to discharge their responsibilities. In view of the challenges the Company and its Group are facing and to assist in the transition of the Reconstituted Board and AC, Mr Jerome Tham has remained as a member of the AC to provide direct assistance to the Company's financial performance.

The AC, inter alia, oversees the quality and integrity of the accounting, auditing, internal controls and financial practices of the Group.

During the past year, the AC held four meetings with professionals and Management to discuss and review inter alia the following matters:

- the findings of the Auditors and the measures to be taken in safeguarding the Group's assets, including the change of Group's management structure;
- the proposed investment by the Investor;
- the appointment of legal counsels, financial advisers, internal auditor, investor relations and consultants;
- the audit plans of the external auditors and their reports arising from the audit, and the follow-up actions taken by the AC;
- the internal audit plans of the internal auditors, and their reports arising from the audit, and the follow-up actions taken by the AC;
- the adequacy of the assistance and cooperation given by the Company's management to the external and internal auditors;
- the financial statements of the Company and the consolidated financial statements of the Group;
- the quarterly and annual announcement of the results of the Group before submission to the Board for approval;
- the adequacy of the Group's internal controls in respect of the management, business and service systems and practices;
- legal and regulatory matters that may have material impact on the financial statements, compliance policies and programmes and any reports received from regulators;

- the cost effectiveness, independence and objectivity of the external auditors;
- the approval of compensation to the external auditors;
- the nature and extent of non-audit services provided by the external auditors;
- the recommendation to the Board for the appointment or re-appointment of the external auditors of the Company;
- to report actions and minutes of the AC to the Board with such recommendations as the AC considers appropriate; and
- interested person transactions to ensure that the current procedures for monitoring of interested party transactions have been complied with.

During FY2014, the AC had adopted a new set of Terms of Reference to be in line with the Code.

The AC has the explicit powers to conduct or authorise investigations into any of the abovementioned matters. The AC has full access to and co-operation by Management and also full discretion to invite any Director or executive officer to attend its meetings as well as reasonable resources to enable it to discharge its function properly.

The AC meets with the Group's Internal and External Auditors and Management to review accounting, auditing and financial reporting matters so as to ensure that an effective system of control is maintained in the Group. For FY2014, the AC has:

- met with the external and internal auditors, without the presence of the Management. Both the Internal and External Auditors had confirmed that they had received the full co-operation of Management and no restrictions were placed on the scope of the respective audits;
- has explicit authority to investigate any matter relating to the Group's accounting, auditing, internal controls and financial practices brought to its attention with access to records, resources and personnel to enable it to discharge its function properly; and
- has access to and cooperation of the management and discretion to invite any Director or executive officer to attend its meetings.
- conducted a review of the non-audit services provided by the External Auditors. No non-audit fees were paid to the External Auditors as they did not provide any non-audit services to the Group. The External Auditors had also confirmed their independence in this respect. The audit fees amounting to S$500,000 were approved;
- confirmed that Company had complied with Rule 712 of the SGX-ST Listing Manual in relation to the appointment of a suitable auditing firm to meet its audit obligations. Messrs Foo Kon Tan LLP, the appointed Auditors of the Group, is registered with the Accounting and Corporate Regulatory Authority in Singapore.

  Together with the audit engagement partner and his team assigned to the audit of the Group, the AC was satisfied that the resources and experience of Messrs Foo Kon Tan LLP, the Audit Engagement Partner and his team assigned to the audit were adequate to meet their audit obligations, given the size, nature, operations and complexity of the Group;
- confirmed that the Company had complied with Rule 715 of the SGX-ST Listing Manual in relation to the appointment of the same auditing firm based in Singapore to audit its accounts, and its significant foreign incorporated subsidiaries. The Group's subsidiaries are disclosed under Note 9 of the Notes to the Financial Statements on pages 74 and 75 of this Annual Report.

CORPORATE GOVERNANCE (CONT'D)

The AC, with the concurrence of the Board, had recommended the re-appointment of Messrs Foo Kon Tan LLP as External Auditors for FY2015 at the forthcoming AGM, based on their performance and quality of their audit.

The External Auditors and/or the CFO and Management will update the AC on the changes to accounting standards and issues which have a direct impact on the financial statements from time to time.

The Board has a whistle blowing policy in place. The policy provides well-defined and accessible channels in the Group through which employees may raise concerns about improper conduct within the Group and no adverse report has been received for FY2014. In FY2014, the AC had with the concurrence of the Board, adopted a revised whistle blowing policy to extend it to "any other persons" in addition to the Group's employees. The Company has uploaded the contacts for whistle-blowing onto its website (http://www.chinagaoxian.com).

(D) SHAREHOLDER RIGHTS AND COMMUNICATION WITH SHAREHOLDERS

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements. engage in regular, effective and fair communication with shareholders.

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company believes that a high standard of disclosure is the key to raising the level of corporate governance.

Quarterly results are published through the SGXNET and news releases. All information of the Company's new initiatives are disseminated via SGXNET.

The Company does not practise selective disclosure. Price sensitive information is publicly released and results and annual reports are announced or issued within the mandatory period. All shareholders of the Company receive the annual report and notice of AGM which are despatched to shareholders, together with explanatory notes or a circular on items of special business, if any, at least 14 days before the meeting for ordinary resolutions and 21 days before the meeting for special resolutions. There are separate resolutions on each distinct issue. The notice of AGM and/or EGM is/are also advertised in the newspapers.

The AGM is the principal forum for dialogue with shareholders, who have an opportunity to raise issues or seek clarifications either informally or formally before or at the AGM. The Board welcomes the views of and questions from the shareholders on matters concerning the Company and encourages shareholders' participation at the AGM. The chairmen of the AC, NC and RC of the Company are normally present at the general meetings to answer questions from the shareholders. The External Auditors are also present to assist the Directors in addressing any relevant queries by shareholders about the conduct of audit and the preparation and content of the auditor's report.

The Board has appointed Cogent Communications Pte. Ltd. as its Investor Relations. Shareholders are available to contact its Investor Relations, should there be any questions on matters concerning the Company. In view of the above, the Board has taken the steps to solicit and understand the views of the shareholders through the AGM, general meetings and/or through its Investors Relations. In addition, shareholders are encouraged to attend the AGM to ensure a high level of accountability and to stay informed of the Group's strategy and goals. Shareholders may vote in person or in absentia by way of proxy forms deposited, in person or by mail, at the registered address of the Company at least 48 hours before the meetings.

To promote transparency and as good corporate governance practices, the Company has been conducting its voting by poll at its general meetings in the past few years.

The Company Secretary prepares minutes of shareholders' meetings, which incorporates substantial comments or queries from shareholders and responses from the board and management. These minutes are available to shareholders upon request.

The Company does not have a policy on payments of dividends. The form, frequency and amount of dividends declared each year will take into consideration the group's profit growth, cash position, positive cash generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate.

The Company endeavours to pay dividend and where dividends are not paid, the Company will disclose its reason(s) accordingly. For FY2014, no dividends would be paid as the Company is in a loss position.

(E) DEALINGS IN SECURITIES

The Company has issued a guideline on share dealings to all Directors and employees of the Group which sets out the code of conduct on transactions in the Company's shares by these persons, the implications of insider trading and general guidance on the prohibition against such dealings.

In line with Rule 1207(19) of the Listing Manual, the Company has adopted a compliance code to issue a notification to all officers of the Company informing them that they should not deal in the securities of the Company during the periods commencing one month before the announcement of the Company's full-year results and two weeks before the Company's quarterly results until after the announcement. They are also discouraged from dealing in the Company's shares on short term considerations and when they are in possession of any unpublished material price sensitive information of the Group.

The Board confirms that for FY2014, the Company has complied with Rule 1207(19) of the Listing Manual.

(F) INTERESTED PERSON TRANSACTION

As a listed company on the SGX-ST, the Company is required to comply with Chapter 9 of the Listing Manual of the SGXST on interested person transactions. To ensure compliance with Chapter 9, the Company has taken the following steps:

- The Board meets to review if the Company will be entering into any interested person transaction. If the Company intends to enter into an interested person transaction, the Board of Directors will ensure that the Company complies with the requisite rules under Chapter 9.

- The AC has met and will meet regularly to review if the Company will be entering into an interested person transaction, and if so, the AC ensures that the relevant rules under Chapter 9 are complied with.

Interested person transaction carried out during FY2014 are set out as follows:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions under S$100,000 and transactions conducted under Shareholders' Mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under Shareholders' Mandate pursuant to Rule 920 (excluding transactions less than S$100,000)
Cao Xiangbin – Guarantee Fee	RMB18,708,595.64 (Approximately S$4,033,844)	Nil
Cao Xiangbin – Consultancy Fees	RMB240,000 (Approximately S$51,748)	Nil

CORPORATE GOVERNANCE (CONT'D)

The Company is not required to obtain a general mandate from shareholders pursuant to Rule 920 of the SGX-ST Listing Manual.

(G) MATERIAL CONTRACTS

On 23 July 2012, the Company entered into an Implementation Agreement with Fleur Capital (S) Pte. Ltd. ("Fleur Capital") and China Success in relation to the proposed investment by Fleur Capital in the Company.

On 4 October 2012, the Company entered into an Novation Agreement with the Investor, Fleur Capital and China Success pursuant which the Fleur Capital has novated its rights and obligations under the Implementation Agreement to the Investor.

On 8 February 2013, the Company further entered into an Supplemental Agreement with the Investor and China Success pursuant which the parties agreed to amend certain terms and conditions of the Implementation Agreement.

On 18 September 2013, the Company entered into a Consultancy Agreement with Mr Cao Xiangbin, pursuant which Mr Cao has been engaged as a consultant for a period of three (3) years (subject to further extension upon mutual agreement of the parties) to provide Consultancy Services. Please refer to the Company's Circular dated 29 May 2013 for more information.

Shareholders may refer to the Company's announcements dated 23 July 2012, 4 October 2012 and 8 February 2013 for further details of the aforesaid agreements, respectively.

Save as disclosed above, under "Material Contracts" on the section of General and Statutory Information of the Prospectus dated 9 September 2009, the Executive Summary of the SA Report, in the Directors' Report and these financial statements, no material contracts to which the Company or any subsidiary, is a party and which involve the interests of the chief executive officer, directors or controlling shareholders, were subsisting at the end of the financial year or entered into since the date of listing of the Company.

(H) USE OF PROCEEDS

USE OF PROCEEDS FROM IPO

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.

As disclosed in the Company's announcement dated 25 April 2014, 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	0
Expand the downstream fabric	35.0	35.0	0
Strengthen the "华港" (HuaGang) and "大华威" (DaHuaWei) brand recognition and expand the sales and marketing network	3.0	3.0	0
Increase the product development capabilities	3.0	3.0	0
General working capital	4.2	4.2	0
Total	78.2	78.2	0

As disclosed in the Company's announcement dated 25 April 2014, 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.

USE OF PROCEEDS FROM ISSUANCE OF SUBSCRIPTION SHARES

As stated in the Company's announcement released to the SGX-ST on 5 November 2013, the Group has used RMB60,000,000 of the First Tranche Subscription proceeds (approximately SGD12,209,763 based on the SGD:RMB exchange rate of 4.9141) to repay the bridging loans that were taken up to finance the construction and operation of the New Production Facilities pending the completion of the First Tranche Transactions. Following the utilisation as set out above, the First Tranche Subscription proceeds have been fully utilised in accordance with the intended use and percentage allocated as set out in the Circular dated 29 May 2013.

USE OF PROCEEDS FROM THE EXERCISE OF WARRANTS ISSUE

The Company refers to the issuance of Warrants to all shareholders on 19 September 2013 in accordance with the terms in the Circular dated 29 May 2013.

On 21 November 2013, 10 new shares have been allotted and issued pursuant to the exercise of 10 warrants at the exercise price S$0.10 for each new share. The total outstanding Warrants remaining after the abovementioned exercise and to-date is 1,137,499,990. As the proceed from the exercise of 10 warrants was a nominal amount of S$1, it was applied for working capital.

Contents

DIRECTORS' REPORT
for the financial year ended 31 December 2014

The directors submit this annual report to the members together with the audited consolidated financial statements of the Group and statement of financial position of the Company for the financial year ended 31 December 2014.

Names of directors

The directors of the Company in office at the date of this report are:

Low Chai Chong	(Non-Executive and Non-Independent Chairman)
Yap Chee Wee	(Non-Executive and Non-Independent Director)
Tham Wan Loong, Jerome	(Executive Director)
Kwak Kyung Jik	(Independent Director)
Yeung Kin Bond Sydney	(Independent Director)
Roberto Fabbri	(Independent Director) (Appointed on 15/5/2014)
Lin Xingdi	(Executive Director) (Appointed on 15/5/2014)
Liu De Huang	(Executive Director on 15/5/2014 and Chief Executive Officer since 18/9/2013)

Arrangements to enable directors to acquire shares, debentures, warrants or options

During and at the end of the financial year, neither the Company nor any of its subsidiaries was a party to any arrangement of which the object was to enable the directors to acquire benefits through the acquisition of shares, debentures, warrants or options of the Company or of any other corporate body, other than as disclosed in this report.

Directors' interest in shares, debentures, warrants or options

According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Companies Act, Cap. 50 ("Act"), none of the directors who held office at the end of the financial year had any interest in the shares, debentures, warrants or options of the Company or its related corporations, except as follows:

	Ordinary Shares			
	Direct interest		Deemed interest	
	As at 1.1.2014	**As at 31.12.2014**	As at 1.1.2014	**As at 31.12.2014**
Name of director				
Tham Wan Loong, Jerome [(1)]	100,000	**600,000**	-	-

	Warrants			
	Direct interest		Deemed interest	
	As at 1.1.2014	**As at 31.12.2014**	As at 1.1.2014	**As at 31.12.2014**
Name of director				
Tham Wan Loong, Jerome [(1)]	600,000	**600,000**	-	-

[(1)] *There was no change in any of the interests of Mr Tham Wan Loong, Jerome between the end of the financial year and 21 January 2015.*

DIRECTORS' REPORT (CONT'D)
for the financial year ended 31 December 2014

Directors' benefits

Since the end of the previous financial year, no director has received or entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest other than as disclosed in the financial statements and in Note 24 to the financial statements.

Audit Committee

The Audit Committee ("AC") at the end of the financial year comprises the following members:

Yeung Kin Bond Sydney (Chairman)
Kwak Kyung Jik
Tham Wan Loong, Jerome

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Company Act and the Listing Manual of the Singapore Exchange Securities and Trading Limited ("SGX-ST Listing Manual"). The functions performed are detailed in the Report on Corporate Governance set out in the Annual Report of the Company for the financial year ended 31 December 2014.

The audit committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The audit committee also recommends the appointment of the external auditor and reviews the level of audit and non-audit fees.

The AC is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditor, Foo Kon Tan LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

Full details regarding the Audit Committee are provided in the Report on Corporate Governance.

Compliance with Rule 1207(10) of the SGX-ST Listing Manual

JF Virtus Pte. Ltd., the internal auditors of the Group, has been commissioned to assist Management in the Group's Enterprise Risk Management ("ERM") since November 2013 to complement the Group's internal audit plan. The AC has reviewed the overall scope of the internal and external audits and the assistance given by Management to the internal and external auditors. The AC has also met once with the Company's internal and external auditors for the financial year ended 31 December 2014 to discuss the results of their respective examinations and their evaluation of the Company's system of internal accounting controls without the presence of Management. Management has noted the internal control weaknesses highlighted by the internal and external auditors and will work closely with them on the implementation of the recommendations at their next audit reviews or within the timeline stipulated in their respective audit reports for the financial year ending 31 December 2015.

Details on the duties and functions carried out by the AC, adequacy of the internal controls and internal audit during the financial year ended 31 December 2014 are set out under the Corporate Governance Report in the Annual Report 2014.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews carried out by Management, various Board Committees and the Board, the AC and the Board are of the opinion that the Group's internal controls, addressing financial, operational, compliance and information technology risks, and risk management systems were adequate and effective as at 31 December 2014.

DIRECTORS' REPORT (CONT'D)

for the financial year ended 31 December 2014

Independent auditor

The independent auditor, Foo Kon Tan LLP, Public Accountants and Chartered Accountants, has expressed its willingness to accept re-appointment.

On behalf of the Directors

THAM WAN LOONG, JEROME
DIRECTOR

YEUNG KIN BOND SYDNEY
DIRECTOR

Dated: 31 March 2015

STATEMENT BY DIRECTORS

for the financial year ended 31 December 2014

In the opinion of the directors, the accompanying statements of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows, together with the notes thereon, are drawn up so as 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 in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and at the date of this statement, except as disclosed in Note 2, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Directors

THAM WAN LOONG, JEROME
DIRECTOR

YEUNG KIN BOND SYDNEY
DIRECTOR

Dated: 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.

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.

INDEPENDENT AUDITOR'S REPORT (CONT'D)

to the members of China Gaoxian Fibre Fabric Holdings Ltd.

Emphasis of matter (cont'd)

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.

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.

INDEPENDENT AUDITOR'S REPORT (CONT'D)

to the members of China Gaoxian Fibre Fabric Holdings Ltd.

Other matter (cont'd)

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

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2014

	Note	The Group 31 December 2014 RMB'000	The Group 31 December 2013 RMB'000	The Company 31 December 2014 RMB'000	The Company 31 December 2013 RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	**1,939,179**	1,846,560	**-**	-
Investment property – Construction work-in-progress	6	**141,232**	-	**-**	-
Land use rights prepayments	7	**155,792**	159,438	**-**	-
Prepayments	8	**136,820**	167,555	**-**	-
Investment in subsidiaries	9	**-**	-	**1,193,280**	1,202,162
		2,373,023	2,173,553	**1,193,280**	1,202,162
Current assets					
Land use rights prepayments	7	**3,646**	3,646	**-**	-
Prepayments	8	**793**	1,331	**-**	-
Inventories	10	**17,899**	28,941	**-**	-
Trade and other receivables	11	**449,175**	227,280	**-**	60
Bank deposits pledged	12	**267,904**	303,870	**-**	-
Cash and short term deposits	13	**66,473**	7,966	**25**	267
		805,890	573,034	**25**	327
TOTAL ASSETS		**3,178,913**	2,746,587	**1,193,305**	1,202,489
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	14	**2,190,580**	2,190,580	**2,190,580**	2,190,580
Merger reserve	15	**(369,563)**	(369,563)	**-**	-
Warrants reserve	15	**13,840**	13,840	**13,840**	13,840
Accumulated losses	15	**(1,008,580)**	(787,480)	**(1,077,496)**	(1,038,544)
		826,277	1,047,377	**1,126,924**	1,165,876
LIABILITIES					
Non-current liabilities					
Financial liabilities	16	**652,000**	-	**-**	-
Obligations under finance leases	17	**51,910**	-	**-**	-
		703,910	-	**-**	-
Current liabilities					
Financial liabilities	16	**698,165**	760,669	**-**	-
Obligations under finance leases	17	**41,108**		**-**	-
Trade and other payables	18	**857,692**	898,543	**52,178**	33,666
Other liabilities	19	**50,977**	39,214	**14,203**	2,947
Provision for income tax		**784**	784	**-**	-
		1,648,726	1,699,210	**66,381**	36,613
TOTAL EQUITY AND LIABILITIES		**3,178,913**	2,746,587	**1,193,305**	1,202,489

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the financial year ended 31 December 2014

	Note	Year ended 31 December 2014 RMB'000	Year ended 31 December 2013 RMB'000
Revenue	20	**90,709**	271,734
Cost of sales		**(98,008)**	(309,563)
Gross loss		**(7,299)**	(37,829)
Other income	22	**27,415**	8,508
Selling and distribution expenses		**(2,497)**	(2,892)
General and administrative expenses		**(107,017)**	(100,343)
Other expenses		**(1,248)**	(726)
Finance income	21	**8,742**	5,506
Finance expense	21	**(138,801)**	(86,495)
Loss before tax	23	**(220,705)**	(214,271)
Income tax expense	25	**(395)**	(1,084)
Net loss for the year, representing total comprehensive income for the year attributable to equity holders of the Company		**(221,100)**	(215,355)
Loss per share attributable to equity holders of the Company (RMB cents)			
Basic and diluted	26	**(9.72)**	(10.22)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2014

The Group	**Share capital RMB'000**	**Warrant reserve RMB'000**	**Merger reserve RMB'000**	**Accumulated losses RMB'000**	**Total RMB'000**
Balance at 1 January 2013	2,092,157	-	(369,563)	(572,125)	1,150,469
Loss net of tax representing total comprehensive income for the year	-	-	-	(215,355)	(215,355)
Transactions with owners, recognised directly in equity					
Contributions by and distributions to owners					
Issue of subscription shares and free detachable warrants (net of introducer fee)	98,423	13,840	-	-	112,263
Balance at 31 December 2013	**2,190,580**	**13,840**	**(369,563)**	**(787,480)**	**1,047,377**
Loss net of tax representing total comprehensive income for the year	**-**	**-**	**-**	**(221,100)**	**(221,100)**
Balance at 31 December 2014	**2,190,580**	**13,840**	**(369,563)**	**(1,008,580)**	**826,277**

CONSOLIDATED STATEMENT OF CASH FLOWS
for the financial year ended 31 December 2014

	Note	Year ended 31 December 2014 RMB'000	Year ended 31 December 2013 RMB'000
Cash Flows from Operating Activities			
Loss before tax		**(220,705)**	(214,271)
Adjustments for:			
Amortisation of land use rights	7	**3,646**	3,646
Amortisation of land preparation cost	8	**1,667**	1,667
Depreciation of property, plant and equipment	5	**32,730**	32,700
Impairment losses on property, plant and equipment	5	**-**	14,509
Interest expense	21	**138,801**	86,495
Interest income	21	**(8,742)**	(5,506)
Operating loss before working capital changes		**(52,603)**	(80,760)
Decrease/(increase) in:			
Inventories		**11,042**	14,206
Prepayments		**538**	8,443
Trade and other receivables		**(104,158)**	(167,727)
Trade and other payables		**103,287**	97,867
Other liabilities and provisions		**11,773**	7,046
Cash flows used in operations		**(30,121)**	(120,425)
Interest received		**8,742**	5,506
Income taxes paid		**(395)**	(1,369)
Net cash flows used in operating activities		**(21,774)**	(116,288)
Cash Flows from Investing Activity			
Purchase of property, plant and equipment, representing net cash flows used in investing activity (Note A)		**(238,056)**	(561,833)
Cash Flows from Financing Activities			
Proceeds from bank loans and non-financial institutions		**1,898,537**	1,668,297
Proceeds from syndicated loans		**416,000**	-
Repayment of bank loans and non-financial institutions		**(1,727,249)**	(1,275,828)
Repayment of loan due to a shareholder (net)		**-**	(5,000)
Payment of guarantee fees to a shareholder		**(11,176)**	(1,564)
Repayment of obligations under finance leases		**(45,646)**	-
Purchase of non-performing assets from China Huarong Assets Management Co., Ltd.		**(80,704)**	-
Advances extended to lessees under operating leases		**(23,200)**	-
(Decrease)/increase in bills payables		**(15,269)**	394,901
Increase in share capital (net of introducer fees)		**-**	112,263
Interest paid		**(128,922)**	(82,427)
Decrease /(increase) in bank deposits pledged		**35,966**	(141,164)
Net cash flows generated from financing activities		**318,337**	669,478
Net increase/(decrease) in cash and cash equivalents		**58,507**	(8,643)
Effect of cash and cash equivalents denominated in foreign currencies		**-**	71
Cash and cash equivalents as at beginning of financial year		**7,966**	16,538
Cash and cash equivalents as at end of financial year	13	**66,473**	7,966

CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

for the financial year ended 31 December 2014

Notes:

A. Property, plant and equipment

	Note	Year ended 31 December 2014 RMB'000	Year ended 31 December 2013 RMB'000
Additions to property, plant and equipment	5	**266,581**	743,217
Less: Prepayments made in prior year	8	**(37,254)**	(172,685)
Assets under finance lease	17	**(124,830)**	-
Amounts included in accrued capital expenditure in current year	18	**(79,875)**	(205,248)
Add: Prepayments made in current year	8	**8,186**	37,254
Less: Amounts included in accrued capital expenditure in prior year	18	**205,248**	159,295
Net cash outflow for purchase of property, plant and equipment		**238,056**	561,833

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

1. General information

The financial statements of the Company and the Group for the financial year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on the date of the Statement by Directors.

China Gaoxian Fibre Fabric Holdings Ltd. (the "Company") is a limited liability company incorporated and domiciled in Singapore. The Company is listed on the Singapore Exchange Securities Trading Limited (SGX-ST).

The registered office of the Company is at 50 Raffles Place #32-01 Singapore Land Tower, Singapore 048623 and the principal places of business of the Group are located at Industrial Area of Balidian Town, Wuxing District, Huzhou City, Zhejiang Province, Peoples' Republic of China ("PRC") and No. 574, Caozhu Village Industry Zone, Tantou Town, Changle City, Fujian Province, PRC.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 9 to the financial statements.

2. Going concern

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) while the Company reported net current liabilities of RMB 66.4 million (2013 –net current liabilities of RMB 36.3 million). The equity of the Group stood at RMB 826.3 million as at 31 December 2014 (2013: RMB 1.05 billion).

In late 2009, a subsidiary of the Company, Huaxiang (China) Premium Fibre Co., Ltd. ("Huaxiang China") has entered into an Investment Agreement with the People's Government of Wuxing District of Huzhou City, pursuant to which Huaxiang China agreed to construct the New Production Facilities in two phases. Huaxiang China has subsequently scaled down the size of its investment in view of the current financial conditions. As such, the New Production Facilities are expected to achieve a revised design capacities of 110,000 mt of Polyethylene Terephthalate, 100,000 mt of Polyester Filament Yarn ("POY"), 150,000 mt of Fully Drawn Yarn ("FDY") and 25,000 mt of Draw Texture Yarn ("DTY") per annum. The estimated aggregate capital expenditure for the New Production Facilities is approximately RMB 2.14 billion. As of 31 December 2014, management has paid out a total of approximately RMB 1.92 billion in satisfaction of payments due under the contracts entered. Consequently, the Group has significant capital expenditure commitments in respect of the New Production Facilities.

The matters set out in the paragraphs above indicate the existence of a material uncertainty which may affect the validity of the going concern assumption on which the accompanying financial statements are prepared.

The directors are of the view that the going concern assumption is appropriate for the preparation of these financial statements 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 to fund its working capital needs;

2. Going concern (Cont'd)

(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 twleve months after the end of the reporting period is dependent on (i) the commencement of the production of the New Production Facilities 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 have 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.

3. Basis of preparation

3.1 Background

Financial year ended 31 December 2010

In March 2011, certain discrepancies were noted in respect of the balances of bank accounts of the two principal subsidiaries of the Group namely, Zhejiang Huagang Polyester Industrial Co., Ltd ("Zhejiang Huagang") and Fujian New Huawei Fibre Dyeing Co., Ltd ("New Huawei") as at 31 December 2010. Special Auditors were then appointed by the Audit Committee to conduct an independent investigation into the Group's financial affairs, including its cash and bank balances, trade receivables balances as well as the capital expenditure of the Group incurred during the financial year ended 31 December 2010 and the financial quarter ended 31 March 2011.

Based on the interim findings of the Special Auditors announced by the Company on 30 June 2011 and other information obtained by the management (comprising inter alia interim CEO, Jerome Tham and CFO, Chen Guo Dong), certain adjustments were subsequently made to the financial statements pertaining to cash at banks, bank deposits pledged, bank borrowings, bills payables, land use rights and property, plant and equipment. The net effect of these adjustments amounting to RMB 980,000,000 had been taken to the statement of comprehensive income for the financial year ended 31 December 2010 as "Exceptional loss".

3. Basis of preparation (Cont'd)

3.1 Background (Cont'd)

Financial year ended 31 December 2010 (cont'd)

The Special Auditors released their report on 4 May 2012 which stated that they were unable to obtain satisfactory explanations for, inter alia, unaccounted bank balances and bank liabilities as at 31 December 2010 of approximately RMB978 million, as well as the unaccounted net outflow of cash of approximately RMB 366 million for the period from 1 January 2011 to 31 March 2011.

As the Statutory Auditors were unable to complete the necessary audit procedures to determine the appropriateness of the account balances in the financial statements of the Group as at and for the financial year ended 31 December 2010, a disclaimer audit opinion was rendered by the Statutory Auditors in respect of the financial statements for the financial year ended 31 December 2010 in the auditors' report dated 14 October 2011.

1 January 2011 to 31 March 2011 (1QFY2011)

The bulk of the Group's accounting books and records for the period prior to 1 April 2011 could not be located. Hence, the Special Auditors were unable to reconstruct the Group's accounts as at 31 December 2010 and 31 March 2011 based on the limited information provided to them. While the Company is seeking to recover these missing records, the chance of recovering the aforesaid records within a reasonable amount of time may be remote. Moreover, even if the aforesaid missing records could be recovered, there is no assurance that these financial records would be complete or that all material supporting documents and information required for reconstructing the Group's accounts as at 31 December 2010 and 31 March 2011 would be available.

Balance sheets as at 31 March 2011

The 31 March 2011 balance sheets had been prepared based on information and supporting documents available to the current management (comprising inter alia interim CEO, Jerome Tham and CFO, Chen Guo Dong) after they took over the finance functions and records of the Group in May 2011.

In view of the matters described in the preceding paragraphs, the Company is also unable to ascertain the impact, if any, on the balance sheet as at 31 December 2010, 1 January 2011, 31 December 2011, 31 December 2012, 31 December 2013 and 31 December 2014 there is no assurance that there are no material facts not known to the current management that may require the financial statements to be further adjusted.

The consolidated financial statements of the Group and the balance sheet of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"), including related Interpretations promulgated by the Accounting Standards Council ("ASC"). The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The Group's principal operations are conducted in the PRC and thus the consolidated financial statements are presented in Renminbi ("RMB"), being the presentation currency of the Group. All values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

3. Basis of preparation (Cont'd)

3.2 Interpretations and amendments to published standards effective in 2014

On 1 January 2014, the Group adopted the FRSs that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required in accordance with the transitional provisions in the respective FRS. This includes the following FRSs which are relevant to the Group:

Reference	Description	Effective date (Annual periods beginning on or after)
Amendments to FRS 32	*Offsetting Financial Assets and Financial Liabilities*	1 January 2014
Amendments to FRS 36	*Recoverable Amount Disclosures to Non- Financial Assets*	1 January 2014

Amendments to FRS 36 *Recoverable Amount Disclosures for Non-Financial Assets*

These amendments remove the unintended consequences of FRS 113 *Fair Value Measurement* on the disclosures required under FRS 36 Impairment of Assets. In addition, these amendments required disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the period. As this is a disclosure standard, it will have no impact financial to the financial position and performance of the Group when applied in.

The adoption of the new and amended FRS and interpretations did not result in substantial changes to the Group's and Company's accounting policies and had no material effect on the amounts reported for the current period or prior financial year.

3.3 FRS not yet effective

At the date of authorisation of these financial statements, the following relevant FRS and INT FRS were issued but not yet effective and which the Group has not early adopted:

Reference	Description	Effective date (Annual periods beginning on or after)
Amendments to FRS 19	*Defined Benefit Plan: Employee Contribution*	1 July 2014
Improvements to FRSs (February 2014) FRS 40	*Investment Property*	1 July 2014
Improvements to FRSs (January 2014)		1 July 2014
- FRS 24	*Related Party Transaction*	
- FRS 108	*Operating Segments*	
FRS 1	*Amendments to FRS 1: Disclosure Initiative*	1 January 2016
FRS 16, FRS 38	*Amendments to FRS 16 and FRS 38: Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
FRS 114	*Regulatory Deferral Accounts*	1 January 2016
FRS 115	*Revenue from Contracts with Customers*	1 January 2017
FRS 109	*Financial Instruments*	1 January 2018

Improvements to FRSs (January 2014) *Related Party Disclosures*

Improvements to FRSs (January 2014) *Related Party Disclosures* clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The improvements to FRSs (January 2014) FRS 24 *Related Party Disclosures* are effective from annual periods beginning on or after 1 July 2014. As this is a disclosure standard, it will not have any impact on the financial performance or the financial positions of the Company and the Group when implemented.

3 Basis of preparation (Cont'd)

3.3 FRS not yet effective (Cont'd)

Improvements to FRS (January 2014) *Operating Segments*

The Improvements to FRSs (January 2014) *Operating Segments* clarity that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly. In addition, the entity is required to disclose the judgements made by management in applying the aggregation criteria to operating segments. As this is a disclosure standard, it will not have any impact on the financial statements.

Amendments to FRS 1 *Presentation of Financial Statements*

The amendments to FRS 1 *Presentation of Financial Statements* clarify that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures. As this is a disclosure standard, it will not have any impact on the financial performance or the financial positions of the Company and the Group when implemented.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 *Revenue from Contracts with Customers* requires the entity to recognize revenue which depict transfer of promised goods or services to customers in an amount that reflects the consideration (payment) to which the entity expects to be entitled in exchange for those goods or services. FRS 115 is effective for annual periods beginning on or after 1 January 2017. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

FRS 109 *Financial Instruments*

FRS 109 *Financial Instruments* replaces FRS 39 and it is a package of improvements introduced by FRS 109 includes a logical model for:

- classification and measurement,
- a single, forward – looking "expected loss" impairment model and
- a substantially reformed approach to hedge accounting

FRS 109 is effective for annual periods beginning on or after 1 January 2018. The adoption of FRS 109 will have an impact on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

3.4 Summary of significant accounting policies

3.4.1 Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

Consolidation of the subsidiaries in the People's Republic of China ("PRC") is based on the subsidiaries' financial statements prepared in accordance with FRS. Profits reflected in the financial statements prepared in accordance with FRS may differ from those reflected in the PRC statutory financial statements of the subsidiary, prepared for PRC reporting purposes. In accordance with the relevant laws and regulations, profit available for distribution by the PRC subsidiaries are based on the amounts stated in the PRC statutory financial statements.

3 Basis of preparation (Cont'd)

3.4 Summary of significant accounting policies (Cont'd)

3.4.1 Consolidation (Cont'd)

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Losses and other comprehensive income are attributable to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts as at that date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Group.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRSs).

The fair value of any investment retained in the former subsidiary at the date when the control is lost is regarded as the fair value on the initial recognition for subsequent accounting under FRS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

<u>Transactions eliminated on consolidation</u>

All inter-company balances and significant inter-company transactions and resulting unrealised profits or losses are eliminated on consolidation and the consolidated financial statements reflect external transactions and balances only.

3 Basis of preparation (Cont'd)

3.4. Summary of significant accounting policies (Cont'd)

3.4.1 Consolidation (Cont'd)

Transactions with Non-Controlling Interest

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3.4.2 Functional currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements of the Group and the Company are presented in Reminbi ("RMB"), which is also the functional currency of the Company.

Conversion of foreign currencies

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognised in the statement of comprehensive income. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any borrowings forming part of the net investment of the foreign operation are repaid, a proportionate share of the accumulated translation differences is reclassified to statement of comprehensive income, as part of the gain or loss on disposal.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income within "finance cost". Foreign currency gains and losses are reported on a net basis as either other income or other operating expense depending on whether foreign currency movements are in a net gain or net loss position.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

3 Basis of preparation (Cont'd)

3.4. Summary of significant accounting policies (Cont'd)

3.4.2 Functional currency (Cont'd)

Group entities

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing rates at the end of that statement of financial position;
(ii) Income and expenses for each statements presenting profit or loss and other comprehensive income (i.e. including comparatives) shall be translated at exchange rates at the dates of the transactions; and
(iii) All resulting currency translation differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve.

3.4.3 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Thus, the Group controls an investee if and only if the Group has all of the following:

- power over the investee;
- exposure, or rights or variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

In the Company's separate financial statements, shares in subsidiaries are stated at cost less allowance for any impairment losses on an individual subsidiary basis.

3 Basis of preparation (Cont'd)

3.4. Summary of significant accounting policies (Cont'd)

3.4.4 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 3.4.13. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in statement of comprehensive income as incurred.

Depreciation is computed on a straight-line basis over the estimated useful life of the assets as follows:

Production and office buildings	20 to 30 years
Plant and machinery	10 to 15 years
Office equipment and furniture	5 to 8 years
Motor vehicles	5 to 8 years
Renovation	5 years

Construction-in-progress, which represents buildings under construction, is stated at cost less any impairment losses. Cost comprises direct costs incurred during the periods of construction, installation and testing. Capitalisation of these costs ceases and construction-in-progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed and the assets are available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. The residual value, useful life and depreciation method are reviewed at each financial year end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the statement of comprehensive income in the year the asset is derecognised.

3.4.5 Investment properties

Investment properties include those portions of office buildings that are held for long-term rental yields and/or for capital appreciation and land under operating leases that are held for long-term capital appreciation or for a currently indeterminate use, and where an insignificant portion is held for the group's own occupation. Investment properties comprise completed investment properties and properties under construction or development for future use as investment properties.

Investment properties are from initially recognised at cost and subsequently carried at fair value, determined annually by independent professional valuers on the highest- and best-use basis. Changes in fair values are recognised in the statement of comprehensive income.

3 Basis of preparation (Cont'd)

3.4. Summary of significant accounting policies (Cont'd)

3.4.5 Investment properties (Cont'd)

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised as addition and the carrying amounts of the replaced components are written off to profit or loss. The cost of maintenance, repairs and minor improvement is charged to profit or loss when incurred.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn use and no future economic benefit is expected from its disposal. On disposal or retirement of an investment property, the difference between any disposal proceeds and the carrying amount is recognised in profit or loss.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when and only when, there is a change in use, evidenced by the commencement of owner-occupation or commencement of development with a view to sell.

3.4.6 Land use rights

The land use rights held by the Group are regarded as operating leases. The amounts paid for these rights are treated as prepayments and are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised in the statement of comprehensive income over the lease term of 50 years.

3.4.7 Land preparation costs

Land preparation costs relate to the cost of relocation of the farmers, land tiling and pavement of roads and other infrastructure work. The land preparation cost is amortised in the statement of comprehensive income on a straight line over the land lease term of 50 years.

3.4.8 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets subject to impairment are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the assets belong will be identified.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value-in-use, based on an internal discounted cash flow evaluation. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Any impairment loss is charged to statement of comprehensive income.

3 Basis of preparation (Cont'd)

3.4. Summary of significant accounting policies (Cont'd)

3.4.8 Impairment of non-financial assets (Cont'd)

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

A reversal of an impairment loss is recognised as income in statement of comprehensive income.

An impairment loss in respect of goodwill is not reversed, even if it relates to impairment loss recognised in an interim period that would have been reduced or avoided had the impairment assessment been made at a subsequent reporting or end of reporting period.

3.4.9 Financial assets

Financial assets can be divided into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated and classification may be changed at the reporting date with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

All financial assets are recognised on their trade date - the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value, plus directly attributable transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value.

Derecognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each reporting date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Non-compounding interest and other cash flows resulting from holding financial assets are recognised in profit or loss when received, regardless of how the related carrying amount of financial assets is measured.

The Group does not hold any financial assets at fair value through profit or loss, held-to-maturity investments or available-for-sale financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the reporting date which are classified as non-current assets.

3 Basis of preparation (Cont'd)

3.4. Summary of significant accounting policies (Cont'd)

3.4.9 Financial assets (Cont'd)

Loans and receivables (cont'd)

Loans and receivables include trade and other receivables (excluding VAT receivables, advances received and prepayments) and cash and bank balances. They are subsequently measured at amortised cost using the effective interest method, less allowance for impairment. If there is objective evidence that the asset has been impaired, the financial asset is measured at the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. The impairment or write-back is recognised in profit or loss.

3.4.10 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and bank deposits net of any pledged bank deposits and bank overdrafts which are repayable on demand and which form an integral part of the Group's cash management. Bank overdrafts are presented as current borrowings on the statements of financial position.

3.4.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition, are accounted for as follows:

- Raw materials - purchase cost on a weighted average basis.

- Work-in-progress and finished goods - cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Allowance is made for obsolete, slow-moving and defective inventories in arriving at the net realisable value. The amount of any write-down of inventories to net realisable value is recognised as an expense in the period the write-down occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

3.4.12 Financial liabilities

The Group's financial liabilities include borrowings, obligations under finance leases, trade and other payables and other liabilities and provisions.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest-related charges are recognised as an expense in "finance cost" in the statement of comprehensive income. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

3 Basis of preparation (Cont'd)

3.4. Summary of significant accounting policies (Cont'd)

3.4.12 Financial liabilities (Cont'd)

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Borrowings are recognised initially at the fair value of proceeds received less attributable transaction costs, if any. Borrowings are subsequently stated at amortised cost which is the initial fair value less any principal repayments. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to the statement of comprehensive income over the period of the borrowings using the effective interest method. The interest expense is chargeable on the amortised cost over the period of the borrowings using the effective interest method.

Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the amortisation process.

Borrowings which are due to be settled within 12 months after the end of reporting period are included in current borrowings in the statement of financial position even though the original terms was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the end of reporting period. Borrowings to be settled within the Group's normal operating cycle are classified as current. Other borrowings due to be settled more than twelve months after the end of reporting period are included in non-current borrowings in the statement of financial position.

3.4.13 Borrowing costs

Borrowing costs are capitalised as part of a qualifying asset if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3.4.14 Leases

Where the Group is the lessee

Finance leases

Where assets are financed by lease agreements that give rights approximating to ownership, the assets are capitalised as if they had been purchased outright at values equivalent to the lower of the fair values of the leased assets and the present value of the total minimum lease payments during the periods of the leases. The corresponding lease commitments are included under liabilities. The excess of lease payments over the recorded lease obligations are treated as finance charges which are amortised over each lease to give a constant effective rate of charge on the remaining balance of the obligation.

The leased assets are depreciated on a straight-line basis over their estimated useful lives as detailed in the accounting policy on "Property, plant and equipment".

Operating leases

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

3 Basis of preparation (Cont'd)

3.4. Summary of significant accounting policies (Cont'd)

3.4.14 Leases (Cont'd)

Where the Group is the lessee (cont'd)

Operating leases (cont'd)

Rentals on operating leases are charged to statement of comprehensive income on a straight-line basis over the lease term. Lease incentives, if any, are recognised as an integral part of the net consideration agreed for the use of the leased asset. Penalty payments on early termination, if any, are recognised in the statement of comprehensive income when incurred.

Where the Group is the lessor

Operating leases

Rental income is recognised on a straight-line basis over the lease term.

3.4.15 Employee benefits

Pension obligations

The Group participates in the defined contribution national pension schemes as provided by the laws of the countries in which it has operations.

Pursuant to the relevant regulations of the PRC government, the employees of the subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government (the "Central Pension Scheme"), whereby the PRC subsidiaries are required to contribute a certain percentage of the basic salaries of their employees to the Central Pension Scheme. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the PRC subsidiaries. The only obligation of the PRC subsidiaries with respect to the Central Pension Scheme is to pay the ongoing required contributions under the Central Pension Scheme. Contributions under the Central Pension Scheme are charged to the profit or loss as incurred. The assets of the Central Pension Scheme are held separately from those of the PRC subsidiaries in independently administered funds.

A defined contribution national pension scheme is a post-employment benefit plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. The contributions to national pension schemes are charged to profit or loss in the period to which the contributions made. The Group is subject only to defined contribution plans.

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. Accrual is made for the unconsumed leave as a result of services rendered by employees up to the end of each reporting period.

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors and certain general managers are considered key management personnel.

3 Basis of preparation (Cont'd)

3.4. Summary of significant accounting policies (Cont'd)

3.4.16 Revenue

Revenue from sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue excludes goods and services taxes and is arrived at after deduction of trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

The Group assesses its revenue arrangements to determine if it is acting as principal or agent. In a transaction where the Group acts as an agent, such commission income is recognised net on an accrual basis. The following specific recognition criteria must also be met before revenue is recognised:

(a) ***Sale of goods and scrap materials***
Revenue is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) ***Interest income***
Interest income is recognised as it accrues in profit or loss, using the effective interest method.

3.4.17 Government Grant

An unconditional government grant is recognised in the statement of comprehensive income as "other income" when the grant becomes receivables.

Other government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. These grants are then recognised in profit or loss as "other income" on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses incurred are recognised in profit or loss as "other income" on a systematic basis in the same periods in which the expenses are recognised.

3.4.18 Taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

3 Basis of preparation (Cont'd)

3.4. Summary of significant accounting policies (Cont'd)

3.4.18 Taxes (Cont'd)

Deferred income tax is measured:

(I) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period; and

(II) based on the tax consequence that will follow from the manner in which the Group expects, at the end of reporting period, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in statement of comprehensive income, except to the extent that the tax arises from a business combination or a transaction which is recognised either in other comprehensive income or directly in equity. Deferred income tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority.

3.4.19 Operating segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. All operating segments' operating results are reviewed regularly by the Group's directors to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Additional disclosures on operating segments are shown in Note 27 to the financial statements, including the factors used to identify the reportable segments and the measurement basis of segment information.

Segment results that are reported to the Group's directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

3.4.20 Share capital and share issue expenses

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

3.4.21 Related parties

A related party is defined as follows:

a) A person or a close member of that person's family is related to the Group and Company if that person:

   (i) has control or joint control over the Company;
   (ii) has significant influence over the Company; or
   (iii) is a member of the key management personnel of the Group or Company or of a parent of the Company

3 Basis of preparation (Cont'd)

3.4. Summary of significant accounting policies (Cont'd)

3.4.21 Related parties (Cont'd)

b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) both entities are joint ventures of the same third party.

(iv) one entity is a joint venture of a third party and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3.4.22 Intra-group financial guarantees

Financial guarantee contracts are accounted for as insurance contracts. A provision is recognised based on the Company's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date. The provision is assessed by reviewing individual claims and tested for adequacy by comparing the amount recognised and the amount that would be required to settle the guarantee contract.

3.4.23 Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

4. Significant accounting estimates and judgements

The preparation of the financial statements in conformity with FRS requires the management to exercise judgements in the process of applying the Group's accounting policies and requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the end of the reporting periods, and the reported amounts of revenues and expenses during the financial years. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the financial year in which the estimate is revised if the revision affects only the financial year or in the financial year of the revision and future financial years if the revision affects both current and future financial years.

4.1 Significant judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which has the most significant effect on the amounts recognised in the consolidated financial statements:

4. Significant accounting estimates and judgements (Cont'd)

4.1 Significant judgements made in applying accounting policies (Cont'd)

Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the respective entities in the Group, judgement is required to determine the currency that mainly influences sales prices of goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on the local management's assessment of the economic environment in which the entities operate and the respective entities' process of determining sales prices.

Classification of land use rights (Note 8)

As at 31 December 2014, included in "prepayments" to the financial statements was prepaid land use rights of RMB 56.0 million (2013 – RMB 56.0 million) relating to a plot of state owned land in the PRC, in respect of which there was no formal agreement signed with the relevant authorities and no land title has been obtained. The directors are of the opinion that there is no recoverability issue in respect of this prepayment despite the lack of formal agreement being entered into.

Within the PRC, it is the practice for the State to issue land use rights to individuals or entities. Such rights are evidenced through the granting of a land use right certificate, which gives the holder the right to use the land (including the construction of buildings thereon) for a given length of time. An upfront payment is made for this right. Management judges that the substance of this arrangement is an operating lease over the land, and that the upfront payment represents prepaid lease rental. As such, a prepayment is recognised in the combined statements of financial position, analysed between current and non-current assets which represent amounts to be utilised within and after 12 months from the end of each reporting period respectively. The prepayment is amortised to spread the lease cost over the duration of the term of the land use right, as specified in the land use right certificate.

Recoverability of trade receivable from a third party (Note 11)

As at 31 December 2014, the Group has outstanding trade receivable owing by 长乐市友利贸易有限公司 ("友利") amounting to RMB 96.3 million, of which RMB 82.8 million were past due and not impaired for more than 60 days. This represented 92% and 12% of the Group's trade receivables and the Group's total current assets respectively. Management is of the view that there is no impairment to the carrying value of the amount due from 友利 on the basis that there was subsequent receipt of RMB 36.8 million subsequent to year-end and there was no historical write-off experiences with this regular customer.

Recoverability of other receivable from a third party (Note 11)

In 2014, the Group acquired a non-performing asset amounting to RMB 80.7 million from China Huarong Assets Management Co., Ltd. The non-performing asset was secured by (i) 40.63 million equity shares in a commercial bank and (ii) a commercial unit, including an underground carpark lot ("secured assets"). Management believes that the recent valuation exercise conducted by Fujian Court in October 2014 on the secured assets approximate the fair values of the secured assets at the reporting date and accordingly, management is of the view that there was no impairment indicator existing at the balance sheet date to suggest that the carrying amount of the non-performing asset may be impaired.

Classification of leases

During the financial year, the Group entered into a number of lease arrangements with third parties as disclosed in Notes 5(f) and 5(g) to the financial statements. Lease classification depends on the substance of the transaction rather than the form of the contract and involves significant management's judgement. For each of the lease arrangement entered, management has evaluated the terms and conditions of the lease agreement entered and determined the appropriate classification of the lease arrangement in accordance with FRS 17 – Leases.

4. Significant accounting estimates and judgements (Cont'd)

4.1 Significant judgements made in applying accounting policies (Cont'd)

Prepayment for future land use (Note 8)

The Group made a prepayment of RMB 56.0 million for future land use right on a plot of state owned land in the PRC in connection with the second phase of the expansion plan to construct a newly integrated facilities for the Polyester Direct Spinning production lines. As at the balance sheet date, no land title has been obtained. There was no specific deadline stipulated in the Investment Agreement entered with the People's Government of Wuxing District of Huzhou City for the commencement or completion of the Phase 2 expansion and management plans to commence Phase 2 construction after the completion and full operation of the Phase 1 production facilities. Based on the feasibility studies conducted by independent financial advisors, management believes that the new production facilities comprising both phases, are critical to the future competitiveness and is value accretive to the Group once completed and accordingly, no impairment indicator existed at the balance sheet date to suggest that the prepayment made is impaired.

4.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimate on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future development however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumption when they occur.

(a) Income taxes (Note 25)

The Group has exposure to income taxes in the PRC. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made. The carrying amount of the Group's tax payable and deferred tax liabilities at 31 December 2014 were RMB 0.78 million (2013 - RMB 0.78 million and RMB Nil (2013 - RMB Nil) respectively.

The PRC subsidiaries make tax submissions to the local tax authorities in accordance with interpretations and local practices. Management has assessed and concluded that all tax submissions are appropriate and except for the outstanding payments so determined, there are no further tax and related liabilities.

As at 31 December 2014, the Group did not recognise deferred tax assets in relation to unutilised tax losses and temporary differences arising from deductible expenses due to uncertainty over which future taxable profit will be available against which the Group can utilise such benefit.

4. Significant accounting estimates and judgements (Cont'd)

4.2 Key sources of estimation uncertainty (Cont'd)

(b) Useful lives of production plant and machinery (Note 5)

The cost of production plant and machinery is depreciated on a straight-line basis over the estimated useful life of the assets. Management estimates the useful life of the production plant and machinery to be 10 to 15 years. This is a common life expectancy applied in the manufacturing industry. The carrying amount of the Group's production and office buildings and plant and machinery as at 31 December 2014 was approximately RMB 370.5 million (2013 - RMB 329.8 million). Changes in the expected level of usage and technological developments could impact the economic useful life of the production plant and machinery; therefore future depreciation charges could be revised. A reduction/ extension in the useful life of the production plant and machinery by one year (2013 - one year) would reduce/ increase the Group's loss for the financial year by approximately RMB 3,268,000 (2013 - RMB 3,813,000).

(c) Allowance for inventory obsolescence (Note 10)

The Group reviews the ageing analysis of inventories at the end of each reporting period, and makes allowance for obsolete and slow moving inventory items identified that are no longer suitable for sale. The net realisable value for inventories is estimated based primarily on the latest invoice prices and current market conditions to assess future demand for products. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of the Group's inventories at the end of each reporting period is disclosed in Note 10 to the financial statements. If the net realisable values of finished goods were to decrease by 5% from management estimates, the Group's allowance for inventory obsolescence will increase by RMB 0.89 million (2013 – RMB 1.45 million).

(d) Allowance for doubtful debts (Note 11)

Allowances for bad and doubtful debts are based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the expected outcome is different from the original estimate, such difference will impact carrying value of trade and other receivables and doubtful debt expenses in the period in which such estimate has been changed.

The carrying amount of the Group's trade and other receivables at the end of each reporting period is disclosed in Note 11 to the financial statements. If the present value of estimated future cash flows on loans and receivables decrease by 5% from management's estimates, the Group's allowance for impairment will increase by RMB 14.6 million (2013 - RMB 4.7 million).

5. Property, plant and equipment

The Group	Production and office buildings RMB'000	Plant and machinery RMB'000	Office equipment and furniture RMB'000	Motor vehicles RMB'000	Renovation RMB'000	Construction work-in-progress RMB'000	Total RMB'000
Cost							
At 1 January 2013	138,770	678,184	2,025	8,896	67	770,506	1,598,448
Additions	85	83	177	220	318	742,334	743,217
At 31 December 2013	138,855	678,267	2,202	9,116	385	1,512,840	2,341,665
Additions	**10,902**	**1,228**	**198**	**1,778**	**-**	**252,475**	**266,581**
Transfers	**-**	**59,786**	**-**	**-**	**-**	**(59,786)**	**-**
Transfer to investment property – construction work-in-progress (Note 6)	**-**	**-**	**-**	**-**	**-**	**(141,232)**	**(141,232)**
At 31 December 2014	**149,757**	**739,281**	**2,400**	**10,894**	**385**	**1,564,297**	**2,467,014**
Accumulated depreciation and impairment losses							
At 1 January 2013	56,308	385,359	1,563	4,664	2	-	447,896
Depreciation charge for the year	4,858	26,324	208	1,084	226	-	32,700
Impairment loss recognised	-	14,509	-	-	-	-	14,509
At 31 December 2013	61,166	426,192	1,771	5,748	228	-	495,105
Depreciation charge for the year	**4,858**	**26,335**	**236**	**1,181**	**120**	**-**	**32,730**
At 31 December 2014	**66,024**	**452,527**	**2,007**	**6,929**	**348**	**-**	**527,835**
Net carrying amount							
At 31 December 2014	**83,733**	**286,754**	**393**	**3,965**	**37**	**1,564,297**	**1,939,179**
At 31 December 2013	77,689	252,075	431	3,368	157	1,512,840	1,846,560

5. Property, plant and equipment (Cont'd)

(a) Assets pledged as security

As at 31 December 2014, certain of the Group's production and office buildings, plant and machinery and construction in progress are pledged as security for the Group's short-term bank loans, bills payable to banks and obligations under finance leases as disclosed below.

	Bank loans and Bills payable to bank (Notes 16 & 18)		Obligations under finance leases (Note 17)		Total	
	2014	2013	**2014**	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Carrying amount of assets pledged as security						
Production and office buildings	**72,831**	61,163	**-**	-	**72,831**	61,163
Plant and machinery	**-**	7,524	**-**	-	**-**	7,524
Construction work-in-progress	**446,237**	246,591	**124,830**	-	**571,067**	246,591
	519,068	315,278	**124,830**	-	**643,898**	315,278

(b) Construction-in-progress

As at 31 December 2014, the Group's construction-in-progress relates to production and office buildings and plant and machinery with carrying amounts of approximately RMB 699.1 million (2013 - RMB 789.6 million) and RMB 865.2 million (2013 - RMB 723.2 million) respectively.

(c) Depreciation expense

Depreciation expense is recognised in the statement of comprehensive income as follows:

The Group	**2014** **RMB'000**	2013 RMB'000
Depreciation expense charged to:-		
- Cost of sales	**3,876**	21,172
- Administration expenses	**28,854**	11,528
	32,730	32,700

(d) Fully depreciated assets

As at 31 December 2014, the Group's fully depreciated assets that are still in use mainly relate to production and office building, plant and equipment, office equipment and furniture and motor vehicles. Both the cost (gross) and accumulated depreciation amounts were approximately RMB 38.2 million (2013 - RMB 38.2 million), RMB 13.2 million (2013 - RMB 12.2 million), RMB 1.4 million (2013 – RMB 0.6 million) and RMB 3.2 million (2013 - RMB 2.0 million) respectively.

(e) Idle assets

As at 31 December 2014, the Group's temporarily idle assets mainly relate to plant and equipment with aggregate carrying amount of approximately RMB 114.3 million (2013 - RMB 176.2 million).

5. Property, plant and equipment (Cont'd)

(f) Assets under finance leases

As at 31 December 2014, the carrying amount of plant and machinery acquired under finance leases for the Group amounted to RMB 124.8 million (2013 - Nil).

(g) Assets leased out under operating leases

As at 31 December 2014, the carrying amount of plant and machinery leased out to third parties under operating leases arrangements amounted to RMB 112.2 million (2013: Nil). The Group recorded operating lease income amounting to RMB 1.25 million from 1 August 2014 to 31 December 2014 (2013: Nil).

(h) Impairment losses

Certain production equipment of the Group with carrying amount of RMB 114.3 million remained idle for the financial year ended 31 December 2014. Management carried out a review of the recoverable amounts of the production equipment based on their fair values less costs to sell as at 31 December 2014. Based on the valuation report produced by Brilliant Appraisal Limited, no impairment loss on plant and machinery (2013 - RMB 14.5 million) was recognised in the statement of comprehensive income.

(i) Interest expenses capitalised in Construction Work-In-Progress

Included in "construction work-in-progress" are capitalised borrowing costs related to the construction of Huaxiang Project of RMB 26.6 million (2013: RMB 1.3 million).

6. Investment property – Construction work-in-progress

The Group	2014 RMB'000	2013 RMB'000
At 1 January	-	-
Transfer from construction work-in-progress of property, plant and equipment (Note 5)	141,232	-
At 31 December	141,232	-

(a) The investment property - Construction work-in-progress held by a wholly-owned subsidiary comprise:

Location	Description	Area Sq. metres	Tenure
Blk 18, No. 789 Yi Shan Road, Wuxing District, Huzhou City, Zhejiang Province, China	26-storey commercial and office building with two basement floors	59,090.18	40 years lease, commencing from 10 June 2010

(b) Investment property – Construction work-in-progress is carried at cost at the end of reporting period. Management has not obtained the Fire & Safety Certificates from relevant Issuing Government Ministries and accordingly, the investment property is not ready for its intended use and accordingly, no depreciation was recognised in the statement of comprehensive income.

(c) The land use right of the investment properties commenced on 10 June 2010 and expires on 9 June 2050, for a term of 40 years. The unexpired lease term of the land use right as at 31 December 2014 was 45 years. The land use right has been mortgaged to financial institutions for certain bank loans (Note 7 and Note 16).

7. Land use rights prepayments

The Group	2014 RMB'000	2013 RMB'000
Cost		
At 31 December	**176,477**	176,477
Accumulated amortisation		
At 1 January	**13,393**	9,747
Amortisation charge for the year	**3,646**	3,646
At 31 December	**17,039**	13,393
Net carrying amount		
At 31 December	**159,438**	163,084
Non-current	**155,792**	159,438
Current	**3,646**	3,646
	159,438	163,084

The land use rights lease prepayments relate to the following parcels of land:

Location	Land area	Cost RMB'000	Tenure
湖州市八里店镇西环吴兴大道南侧	454,760 square metres	144,373	50 years (commenced on 16 July 2010 and expiring on 29 September 2060)
湖州市吴兴大道北经六路西(八里店分区 BLD28-3C)	9,949 square metres	18,549	40 years (commenced on 10 June 2010 and expiring on 9 June 2050)
八里店镇升山村318国道北侧	33,305 square metres	4,555	50 years (commenced on 21 February 2004 and expiring on 10 February 2054)
吴兴区八里店镇升山村（织西分区 ZX75-1号地块）	34,063 square metres	9,000	50 years (commenced on 3 December 2008 and expiring on 2 December 2058)
		176,477	

As at 31 December 2014, the Group has land use rights over four plots of state owned land in the PRC where the Group's PRC manufacturing and storage facilities reside. The land use rights have remaining tenures ranging from 39 to 45 years (2013 - 40 to 46 years).

Assets pledged as security

As at 31 December 2014, the Group's land use right with a carrying amount of approximately RMB 159.4 million (2013 - RMB 163.1 million) are pledged as security for the Group's bank loans as disclosed in Note 16 to the financial statements.

8. Prepayments

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Non-current				
Prepayments relating to acquisition of property, plant and equipment	**8,186**	37,254	**-**	-
Prepayments for future land use (Note 1)	**55,988**	55,988	**-**	-
Prepayments relating to land preparation costs (Note 2)	**72,646**	74,313	**-**	-
	136,820	167,555	**-**	
Current				
Prepayments made to trade suppliers	**793**	1,331	**-**	-

Note1: Prepayment for future land use

Included in prepayment is an amount of RMB 56.0 million (2013: RMB 56.0 million) prepaid for a plot of state owned land in the PRC, in respect of which there is no formal contract or agreement signed with the relevant local authorities and no land title has been obtained. The prepayment was made in connection with the second phase of the expansion plan to construct a new integrated facility for the Polyester Direct Spinning production lines and an office building. The lease amortisation will commence upon the receipt of the land title.

Note 2: Prepayments relating to land preparation costs

The Group	**2014** **RMB'000**	2013 RMB'000
Cost		
At 1 January and 31 December	**84,580**	84,580
Accumulated amortisation		
At 1 January	**10,267**	8,600
Amortisation charge for the year	**1,667**	1,667
At 31 December	**11,934**	10,267
Net carrying amount	**72,646**	74,313

Land preparation costs relate to cost of relocation of the farmers, land tiling and pavement of roads and other infrastructure work. The land preparation cost is amortised in the statement of comprehensive income on a straight line over the land lease term of 50 years.

9. Investment in subsidiaries

The Company	2014 RMB'000	2013 RMB'000
Unquoted equity investment, at cost	**1,089,421**	1,089,421
Accumulated impairment loss		
At 1 January	**(817,649)**	-
Impairment losses recognised	**(8,882)**	(817,649)
At 31 December	**(826,531)**	(817,649)
Unquoted equity investment, net	**262,890**	271,772
Amount due from a subsidiary (non-trade)	**930,390**	930,390
	1,193,280	1,202,162

The non-trade amount due from a subsidiary represents an extension of the Company's net investment in a subsidiary. The amount is unsecured and interest-free, and settlement is neither planned nor likely to occur in the foreseeable future. As the amount is, in substance, a part of the Company's net investment in the subsidiary, it is considered to be part of the cost of investment and is stated at cost.

As at the reporting date, management carried out a review of the recoverable amount of its investments in subsidiaries. The review led to the recognition of an impairment loss of RMB 8.9 million (FY2013 - RMB 817.6 million) that has been recognised in the statement of comprehensive income of the Company. The recoverable amounts of the relevant investments in subsidiaries have been determined based on their respective fair value less costs of disposal. The fair value was primarily determined based on fair value measurement category within Level 1.

Details of the subsidiaries are:

Name of subsidiary	Country of incorporation/ Principal place of business	Principal activities	Effective equity interest held by the Group		Cost of Investment	
			2014	2013	**2014**	2013
			%	%	**RMB'000**	RMB'000
Held by the Company						
Zhejiang Huagang Polyester Industrial Co., Ltd ("Zhejiang Huagang")^	PRC	Production and sales of various specifications of premium differentiated fine polyester yarn, warp knit fabric and chemical fibre materials	**100**	100	**682,406**	682,406
Huaxiang China Gaoxian International Holdings Limited ("Huaxiang Hong Kong") ^	Hong Kong	Investment holding company	**100**	100	**407,015**	407,015
					1,089,421	1,089,421

9. Investment in subsidiaries (Cont'd)

Name of subsidiary	Country of incorporation/ Principal place of business	Principal activities	Effective equity interest held by the Group 2014 %	2013 %
Held by Huaxiang Hong Kong				
Huaxiang (China) Premium Fibre Co., Ltd. ("Huaxiang China")^	PRC	Production and sale of premium differentiated fine polyester yarn and polyester chips	**100**	100
Held by Zhejiang Huagang				
Fujian New Huawei Fibre Dyeing Co., Ltd ("New Huawei") ^	PRC	Production and sale of premium differentiated fine polyester yarn and polyester chips	**100**	100
Held by Huaxiang China				
Changle Bole Trading Co., Ltd. ("Bole") ^	PRC	Trading of textile related products, construction material, textile machine and related parts; import and export all kind of products	**100**	-
Changle Guangda Trading Co., Ltd. ("Guangda") ^	PRC	Trading of textile related products, construction material, textile machine and related parts; import and export all kind of products	**100**	-
Held by New Huawei				
Huzhou Huaxiang Property Co., Ltd. ("Huaxiang Property") ^	PRC	Real estate development and property management	**100**	-

^ - Audited by Foo Kon Tan LLP for consolidation purposes

Acquisitions of subsidiaries

On 15 May 2014 and 27 May 2014, the Company's wholly-owned subsidiary, Huaxiang China, entered into separate share transfer agreements to acquire 100% equity interest of Bole and Guangda for an aggregate consideration of RMB 3.03 million respectively. The net book values of Bole and Guangda at date of acquisition was RMB 3.03 million, represented by cash and cash equivalents, and accordingly, no goodwill arose from the acquisitions.

Incorporation of a subsidiary

On 15 April 2014, New Huawei incorporated Huaxiang Property in the People's Republic of China with a registered paid –in capital of RMB 10 million.

10. Inventories

The Group	2014 RMB'000	2013 RMB'000
Raw materials	2,274	530
Work-in-progress	106	1,105
Finished goods (at NRV)	-	27,306
Finished goods (at cost)	15,519	-
	17,899	28,941

11. Trade and other receivables

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Trade receivables	104,444	71,084	-	-
Allowance for doubtful receivables	(1,122)	(639)	-	-
Net trade receivables	103,322	70,445	-	-
Deposits (Note A)	33,677	19,079	-	-
Advances to staff	108	1,117	-	-
Other receivables from a third party for non-performing loans (Note B)	80,704	-	-	-
Working capital loans extended to lessees under operating leases (Note C)	23,200	-	-	-
Amount due from third parties (non-trade) (Note D)	46,549	-	-	-
Other receivables	1,361	1,505	-	60
Bills receivables	1,293	1,750	-	-
Amounts due from a subsidiary (non-trade)	-	-	-	163,177
Less: Allowance for doubtful receivables	-	-	-	(163,177)
Net receivables from subsidiaries	-	-	-	-
Loans and receivables at amortised cost	290,214	93,896	-	60
Input VAT receivables	158,961	133,384	-	-
Total trade and other receivables	449,175	227,280	-	60

Note A:

Included in deposits as at 31 December 2014 was an amount of RMB 29.8 million (FY2013 - RMB15.3 million) paid to Hua Rong Finance Lease Co., Ltd ("Hua Rong") as part of the equipment finance lease arrangement entered as disclosed in Note 17 to the financial statements.

11. Trade and other receivables (Cont'd)

Note B:

In June 2014, the Group successfully secured a 3-year unsecured term loan amounting to RMB 236 million and short term loans amounting RMB 6 million respectively from China Citic Bank (Fujian Branch) ("Citic Bank"). One of the conditions precedent requires the Group to acquire a non-performing loan extended by Citic Bank to a third party. The non-performing loan is secured by certain assets, namely (i) 40.63 million of equity shares in Rural Commercial Bank of Fuzhou (福建福州农村商业银行股份有限公司) and (ii) a commercial unit located on the 12th floor of Fuzhou Wuyi Center Building (福州市武夷中心), which comes with an underground car park lot from Citic Bank. As Citic Bank could not transfer the non-performing asset directly to the Group, the transfer was done through China Huarong Asset Management Co.,Ltd. (华融资产管理股份有限公司) ("China Huarong"), a state-owned financial assets company. On 25 June 2014, the Group made payment of RMB 83.9 million to China Huarong, comprising RMB80.7 million for non-performing asset and (iii) a management fee of RMB 3.2 million levied by China Huarong for the above transaction.

On 25 October 2014, Fujian Fuzhou City Supreme Court (福建省福州市中级人民法院) ("Fujian Court") notified management that they have engaged a valuer to perform a valuation on the commercial unit located on the 12th floor of Fuzhou Wuyi Centre Building and the equity shares in Rural Commercial Bank of Fuzhou. The valuation came up to RMB 85.68 million. Accordingly, management is of the view that no impairment indicator existed at balance sheet date since the fair value was higher than the carrying amount.

Note C:

As part of the operating lease agreements entered with the lessees as mentioned under Note 5(g), the Group further agreed to extend 12 months interest free working capital loans amounting to RMB 23.5 million to assist the lessees to commerce their operations.

As at 31 December 2014, the Group has disbursed RMB 3.2 million and RMB 20.0 million to the lessees respectively.

Note D:

The advances extended to third parties were unsecured, interest-free and repayable on demand.

Impairment losses

The ageing of loans and receivables that were not impaired at the reporting date was:

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
No credit terms*	**163,692**	23,451	**-**	60
Not past due:	**42,745**	41,775	**-**	-
Past due:-				
-Not more than 3 months	**-**	23,435	**-**	-
- More than 3 months and not more than 6 months	**67,768**	4,272	**-**	-
- More than 6 months and not more than 12 months	**15,631**	963	**-**	-
- More than 12 months	**378**	-	**-**	-
	290,214	93,896	**-**	60

* - Compriced mainly (i) deposits, (ii) a financial asset disclosed in Note B and (iii) non-trade amounts due to third parties disclosed in Note D.

11. Trade and other receivables (Cont'd)

Impairment losses (cont'd)

The ageing of loans and receivables that were past due and impaired at the reporting date was:

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
No credit terms	-	-	**-**	163,177
Past due and impaired:				
- More than 6 months and not more than 12 months	**200**	-	**-**	-
- More than 12 months	**922**	639	**-**	-
	1,122	639	**-**	163,177

The change in impairment losses in respect of trade and other receivables during the year is as follows:

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**639**	73	**-**	-
Bad debt written off	**(492)**	-	**-**	-
Allowance made	**975**	566	**-**	163,177
At 31 December	**1,122**	639	**-**	163,177

Trade receivables are non-interest bearing and are normally settled on 30 to 90 days' terms. They are recognised at their original invoiced amounts which represent their fair values on initial recognition. The Group's historical experience in the collection of trade receivables fall within the recorded allowances. As a result, management believes no additional credit risk beyond the amounts provided for, is inherent in the Group's trade receivables. All trade and other receivables are denominated in RMB.

As at the balance sheet date, management carried out a review of the recoverable amount on the amount due from a subsidiary to ascertain if the amount of the impairment loss previously recognised should be reversed. In view of the deficiency in net asset reported by the subsidiary, no reversal of impairment loss was made in the Company's statement of comprehensive income.

12. Bank deposits pledged

Bank deposits pledged as security for the Group's bills payable, letter of credit facilities and foreign exchange deposit mortgage loan facilities as disclosed below:

The Group	2014 RMB'000	2013 RMB'000
Bills payables facilities	**237,324**	245,596
Import bill advance facilities	**-**	58,274
Foreign exchange deposit certificate mortgage loan facilities (Note 16)	**30,580**	-
	267,904	303,870

The weighted average effective interest rate on bank deposits pledged, with a maturity of 90 days and 180 days, was 2.15% (2013 - 3.06% per annum) for the financial year ended 31 December 2014.

13. Cash and short term deposits

Cash and short term deposits consist of cash on hand, cash at banks and unpledged bank deposits. Cash and cash equivalents included in the consolidated statements of cash flows comprise the following balance sheet amounts:

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Cash on hand	**863**	434	**-**	-
Cash at banks	**333,514**	311,402	**25**	267
Cash and bank balances	**334,377**	311,836	**25**	267
Less: Bank deposits pledged (Note 12)	**(267,904)**	(303,870)	**-**	-
Cash and short term deposits	**66,473**	7,966	**25**	267

Cash and bank balances have an effective interest rate of 0.35% to 0.42% per annum (2013 - 0.35% to 0.385% per annum) for the financial year ended 31 December 2014.

Cash and short term deposits are denominated in the following currencies:

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
RMB	**334,129**	309,863	**14**	12
Singapore Dollar	**23**	279	**11**	251
United States Dollar	**225**	1,694	**-**	4
	334,377	311,836	**25**	267

14. Share capital

The Company	No. of shares issued '000	2014 RMB'000	No. of shares issued '000	2013 RMB'000
Issued and fully paid ordinary shares				
At 1 January	**2,275,000**	**2,190,580**	**2,040,000**	2,092,157
Issuance of 235 million subscription shares	**-**	**-**	**235,000**	98,423
Issuance of 10 new shares	**-**	**-**	**-**	-*
At 31 December	**2,275,000**	**2,190,580**	**2,275,000**	2,190,580

* amount is less than RMB 1,000

In the previous financial year, the Company allotted and issued 235 million subscription shares and 117.5 million free warrants to Fleur Capital (S) Pte Ltd ("Fleur Capital") for a cash consideration of S$23.5 million (equivalent to RMB 112.3 million). The Company has also issued 1.02 billion of free warrants to all other existing shareholders. Each warrant carries the right to subscribe for one new ordinary share in the capital of the Company at an exercise price of S$0.10. The proceeds of S$22.8 million, net of S$0.7 million of transaction costs, are allocated to ordinary shares and warrants using the fair values of the two instruments on a pro-rata basis. The newly issued shares rank pari passu in all respects with the previously issued shares. As a result, RMB 98.4 million was recorded within share capital and another RMB 13.8 million was recorded under "warrant reserve" respectively.

On 21 November 2013, the issued share capital of the Company has increased from 2,275,000,000 shares to 2,275,000,010 shares following the issuance of 10 new shares pursuant to the exercise of 10 warrants at an exercise price of S$0.10 per new share.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regards to the Company's residual assets. The ordinary shares have no par value.

15. Other reserves

	The Group 2014 RMB'000	The Group 2013 RMB'000	The Company 2014 RMB'000	The Company 2013 RMB'000
Merger reserve	**(369,563)**	(369,563)	**-**	-
Warrant reserve	**13,840**	13,840	**13,840**	13,840
Accumulated losses	**(1,008,580)**	(787,480)	**(1,077,496)**	(1,038,544)
	(1,364,303)	(1,143,203)	**(1,063,656)**	(1,024,704)

(a) Merger reserve

This represents the difference between the consideration paid and the paid-in capital of the subsidiaries when business combination of entities under common control was accounted for by applying the pooling of interest method.

15. Other reserves (Cont'd)

(b) Warrant reserve

Warrant reserve relates to the fair value ascribed to warrants issued, net of issue expenses. As and when the warrants are exercised, the related balance in the warrant reserve is transferred to the share capital account. Each warrant carries the right to subscribe for one new ordinary share in the capital of the Company at an exercise price of S$0.10. The warrants will expire on 18 September 2018. At the expiry of the warrants, the balance in the warrant reserve is transferred to retained earnings.

16. Financial liabilities

The Group	2014 RMB'000	2013 RMB'000
Short-term secured loans from banks:		
Industrial and Commercial Bank of China [1]	**93,700**	156,000
China CITIC Bank [2]	**124,000**	60,000
Agricultural Bank of China	**-**	39,000
Bank of China	**-**	43,000
Bank of Communications[3]	**15,000**	18,000
Shanghai Pudong Development Bank	**-**	66,700
China Minsheng Bank [4]	**15,000**	15,000
China Everbright Bank[5]	**72,970**	75,000
Bank of Huzhou	**-**	30,000
Hu Zhou Wuxing Rural cooperative[6]	**11,000**	4,000
Shanghai Pudong Development Bank - Import Bill advance	**-**	28,680
Industrial and Commercial Bank of China - Import Bill advance	**-**	28,349
Chouzhou Commercial Bank[7]	**20,000**	-
Shanghai Pudong Development Bank - foreign exchange deposit certificate mortgage loan[8]	**26,095**	-
	377,765	563,729
Other short-term secured loans [9]	**320,400**	196,940
Total short-term financial liabilities	**698,165**	760,669
Long-term secured loans from banks:		
China CITIC Bank[10]	**236,000**	-
Shanghai Pudong Development Bank[11]	**83,200**	-
China Construction Bank[11]	**249,600**	-
Bank of China[11]	**83,200**	-
Syndicated bank loans	**416,000**	-
Total long-term financial liabilities	**652,000**	**-**
Total short-term and long-term borrowings	**1,350,165**	760,669

16. Financial liabilities (Cont'd)

1 As at 31 December 2014, these 10 (2013 - fourteen) secured short term bank loans bear interest at a rate of 6.16% to 6.60% (2013 - 5.60% to 6.60%) per annum and are secured by pledges of certain property, plant and equipment (Note 5), land use rights (Note 6), corporate guarantees from the Company's subsidiary, Zhejiang Huagang Polyester Industrial Co., Ltd and Huaxiang (China) Premium Fibre Co., Ltd and a personal guarantee from a shareholder.

2 As at 31 December 2014, these 6 (2013 - four) secured short term bank loans bear interest at a rate of 6.15 % to 7.20% (2013 - 6.44% to 6.90%) per annum and are secured by pledges of certain property, plant and equipment (Note 5), land use rights (Note 6), corporate guarantees from the Company's subsidiary, Zhejiang Huagang Polyester Industrial Co., Ltd and Huaxiang (China) Premium Fibre Co., Ltd and a personal guarantee from a shareholder.

3 As at 31 December 2014, these 2 (2013 - two) secured short term bank loans bear interest at a rate of 7.2% (2013 - 5.88% to 6.06%) per annum and are secured by pledges of certain property, plant and equipment (Note 5), land use rights (Note 6), corporate guarantees from the Company's subsidiaries, Fujian New Huawei Fibre Dyeing Co., Ltd and Huaxiang (China) Premium Fibre Co., Ltd and a personal guarantee from a shareholder.

4 As at 31 December 2014, this (2013 - one) secured short term bank loan bears interest at a rate of 6.9% (2013 - 6.90%) per annum and is secured by corporate guarantee from the Company's subsidiary, Zhejiang Huagang Polyester Industrial Co., Ltd. and a personal guarantee from a shareholder.

5 As at 31 December 2014, this (2013 – three) secured short term bank loans bear interest at a rate of 6.72% (2013 - 6.60% to 7.20%) per annum and are secured by corporate guarantees from the Company's subsidiaries, Zhejiang Huagang Polyester Industrial Co., Ltd and Huaxiang (China) Premium Fibre Co., Ltd and a personal guarantee from a shareholder.

6 As at 31 December 2014, these three (2013 – two) secured short term bank loans bear interest at a rate of 8.96% to 9.60% (2013 - 6.50%) per annum and are secured by pledge of certain property, plant and equipment (Note 5).

7 As at 31 December 2014, this (2013 – nil) secured short term bank loan bears interest at a rate of 9.3% (2013 – nil) per annum and is secured by pledge of certain property, plant and equipment (Note 5) and corporate guarantee from the Company's subsidiary, Huaxiang (China) Premium Fibre Co., Ltd.

8 As at 31 December 2014, this (2013 – nil) secured short term bank loan bear interest at a rate of 2.83% (2013 – nil) per annum and are secured by pledged deposit of RMB 30.58 million (Note 12).

9 As at 31 December 2014, the other secured loans bear interest at a rate of 2.5% per month and are secured by a personal guarantee from a shareholder.

10 As at 31 December 2014, these 6 (2013 – nil) secured 3-year long term bank loans bear interest at a rate of 6.15% (2013 – nil) per annum and are secured by a corporate guarantee from the Company's subsidiaries, Zhejiang Huagang Polyester Industrial Co., Ltd. and Huaxiang (China) Premium Fibre Co., Ltd. and a personal guarantee from a shareholder.

11 As at 31 December 2014, these 8 (2013 - nil) secured 4-year syndicated bank loans to finance the construction and operation of new Huaxiang Project bear interest at a rate of 6.72% (2013 – nil) per annum and are secured by pledges of certain property, plant and equipment (Note 5), land use rights (Note 6), and a personal guarantee from a shareholder.

17. Obligations under finance leases

The Group	2014 RMB'000	2013 RMB'000
Minimum lease payments payables:		
Due not later than one year	**45,890**	-
Due later than one year and not later than five years	**54,515**	-
	100,405	-
Less: Finance charges allocated to future periods	**(7,387)**	-
Present value of minimum lease payments	**93,018**	-
Present value of minimum lease payments:		
Due not later than one year	**41,108**	-
Due later than one year and not later than five years	**51,910**	-
	93,018	-

The Company's wholly-owned subsidiary - Huaxiang China entered into an equipment finance lease with a non-related state-owned enterprise – Hua Rong Finance Lease Co., Ltd. ("Hua Rong"), pursuant to which Hua Rong has agreed to provided Huaxiang China with equipment finance lease of up to RMB 300 million, comprising Huaxiang China Phase 1 and Phase 2 project of RMB 150 million each respectively. Under this arrangement, Hua Rong has agreed to purchase certain machinery and equipment for Huaxiang China with the equipment manufacturers. Thereafter, Huaxiang China will in turn lease the equipment from Hua Rong for a term of 36 months at an agreed fee with the option to purchase the equipment for a nominal value of RMB 1 provided that the agreed fees have been duly paid by Huaxiang China. As of the balance sheet date, Hua Rong has fully disbursed the equipment finance lease for Phase 1 of Huaxiang Project, the principal amount was RMB 124.8 million. The finance lease obligations were secured by the underlying assets (Note 5(a)). The finance lease liabilities are denominated in RMB.

18. Trade and other payables

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Trade payables	**88,836**	42,217	**-**	-
Other payables (Note A)	**136,398**	49,170	**-**	-
Bills payable to financial institutions	**532,592**	547,861	**-**	-
Payables for the acquisition of property, plant and equipment	**79,875**	205,248	**-**	-
Amounts due to subsidiaries (non-trade)	**-**	-	**52,178**	33,666
Financial liabilities carried at amortised cost	**837,701**	844,496	**52,178**	33,666
VAT payable to Custom Authorities on purchase of imported plant and equipment	**-**	20,914	**-**	-
VAT and other operating tax payable	**19,991**	33,133	**-**	-
Total trade and other payables	**857,692**	898,543	**52,178**	33,666

18. Trade and other payables (Cont'd)

Trade payables are non-interest bearing and are normally settled on 30 to 60 days' terms and are denominated in RMB.

The amounts due to subsidiaries are unsecured, non-interest bearing and repayable on demand.

Note A: Other payables

The Group	2014 RMB'000	2013 RMB'000
Advances from third parties and state-owned enterprise	**129,229**	35,925
Others	**7,169**	13,245
	136,398	49,170

The advances from third parties and a state-owned enterprise are interest-free, unsecured and repayable on demand.

Bills payable to financial institutions
As at 31 December 2014, bills payable to banks are secured by short term deposits, certain production and office building and land use rights of the Group as disclosed below:

The Group	2014 RMB'000	2013 RMB'000
Bank deposits pledged (Note 12)	**237,324**	245,596
Carrying amount of production and office buildings pledged (Note 5(a))	**72,831**	61,163
Carrying amount of land use rights (Note 7)	**159,438**	163,084

19. Other liabilities

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Advances from customers	**911**	2,153	**-**	-
Accrued operating expenses	**50,066**	37,061	**14,203**	2,947
	50,977	39,214	**14,203**	2,947

Accrued operating expenses mainly comprise of accrued staff & directors remuneration, accrued for social contributions, accrued interest expenses, accrued professional fees and accrued guarantee and consultancy fees payable to a shareholder.

20. Revenue

Revenue represents sales of goods net of discounts and value-added-tax ("VAT"), excluding inter-company transactions.

21. Finance income/(expense)

The Group	2014 RMB'000	2013 RMB'000
Interest income from:		
- cash and cash equivalents	**8,742**	5,506
Interest expense on:		
- bank loans and other secured loans	**(138,801)**	(86,495)

22. Other income

The Group	2014 RMB'000	2013 RMB'000
Other income		
- Sale of scrap materials	**270**	3,328
- Trading income, net	**14**	-
- Government grant received	**23,198**	4,450
- Subcontract fee income	**1,110**	-
- Operating lease income	**1,250**	-
- Others	**1,573**	730
	27,415	8,508

23. Loss before tax

The Group	Note	2014 RMB'000	2013 RMB'000
Loss before income tax is arrived at after charging/ (crediting):			
Audit fees:			
- Under provision in respect of prior year		**-**	685
Allowance for doubtful receivables	11	**975**	566
Amortisation of land use rights	7	**3,646**	3,646
Amortisation of land preparation costs	8	**1,667**	1,667
Foreign exchange(Gain),net		**(2,070)**	-
Operating lease expenses		**12,000**	12,000
Depreciation of property, plant and equipment	5	**32,730**	32,700
Directors' fees – directors of the Company		**1,729**	2,240
Employee compensation*	24	**22,384**	29,523
Impairment of property, plant and equipment		**-**	14,509
Inventories recognised as an expense in cost of sales		**89,939**	233,778
Inventories written down		**-**	9,585
Preliminary and pre-operating expenses expensed off		**-**	24,663
Guarantee fee and consultancy fee paid/payable to a shareholder		**18,949**	3,938

* Includes remuneration of key management personnel as disclosed in Note 24 to the financial statements.

24. Employee compensation

The Group	2014 RMB'000	2013 RMB'000
Salaries, wages and bonuses	**19,763**	24,868
Welfare expense	**1,556**	1,477
Labour union expense	**20**	229
Employer's contribution to defined contribution plans	**1,045**	2,949
	22,384	29,523

Comprising the following:-		
Directors' remuneration other than fee:		
- Directors of the Company	**788**	215
- Employer's contribution to defined contribution plans	**-**	6
Key management personnel (other than directors):		
- Salaries, wages and other related costs	**1,385**	3,725
- Employer's contribution to defined contribution plans	**3**	13
Other than directors and key management personnel:		
- Salaries, wages and other related costs	**17,590**	20,928
- Welfare expense	**1,556**	1,477
- Labour union expense	**20**	229
- Employer's contribution to defined contribution plans	**1,042**	2,930
	22,384	29,523

The remuneration of key management personnel is determined by the board of directors having regards to the performance of individuals and market trends.

25. Income tax expense

Major components of income tax expense

The major components of income tax expense for the year ended 31 December 2014 and 31 December 2013 are:

The Group	2014 RMB'000	2013 RMB'000
Current income tax		
- Current year income tax expense	**395**	1,084
Income tax expense recognised in the consolidated statement of comprehensive income	**395**	1,084

25. Income tax expense (Cont'd)

Relationship between tax expense and loss before tax

A reconciliation between tax expense and the product of loss before tax multiplied by the applicable tax rate for the financial years ended 31 December 2014 and 31 December 2013 is as follows:

The Group	2014 RMB'000	2013 RMB'000
Loss before tax	**(220,705)**	(214,271)
Tax at the applicable domestic tax rates	**(52,767)**	(51,762)
Effects of:		
- Expenses not deductible for tax purposes	**18,437**	17,044
- Deferred tax assets not recognised	**34,125**	34,718
- Others	**600**	1,084
Income tax expense recognised in the consolidated statement of comprehensive income	**395**	1,084

Expenses not deductible for tax purposes mainly include the interest expenses for the loans from non-financial institutions, excess entertainment expenses & staff welfare for PRC subsidiaries, penalties and pre-operating expenses etc.

China Gaoxian Fibre Fabric Holdings Ltd. (the "Company") and Huaxiang Hong Kong are subjected to tax rate of 17% and 16.5% for the year of assessment 2014 (2013 - 17% and 16.5%) respectively. No provision for Singapore and Hong Kong profits tax have been made as the Group did not have assessable profits subject to Singapore and Hong Kong profits tax.

On 16 March 2007, the National People's Congress of China enacted the Enterprise Income Tax Law of the PRC which took effect on 1 January 2008 (the "New EIT Law"). In accordance with the New EIT Law, a unified Enterprise Income Tax rate of 25% and unified tax deduction standards will be applied equally to both domestic invested enterprises and wholly foreign-owned enterprises in the PRC. Accordingly, the subsidiaries in the PRC are subjected to the applicable EIT rate of 25%.

Zhejiang Huagang, New Huawei, Huaxiang China, Huaxiang Property, Bole and Guangda are subjected to tax rate of 25% for the financial year ended 31 December 2014 (2013 - 25%).

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses of approximately RMB 328.7 million (2013 - RMB 192.2 million) that is available for offset against future taxable profit of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of respective countries in which the companies operate.

26. Loss per share

Basic loss per share is calculated based on the consolidated losses attributable to owners of the parent divided by the weighted average number of ordinary shares in issue of 2,275,000,010 (2013 - 2,107,602,743 shares during the financial year.

Diluted losses per share were calculated on the consolidated losses attributable to owners of the parent divided by 2,275,000,010 (2013 - 2,107,602,743) ordinary shares.

26. Loss per share (Cont'd)

The number of ordinary shares is calculated based on the weighted average number in issue during the financial year adjusted for the effects of all dilutive share options and contingently issuable shares. Dilutive potential ordinary shares are deemed to have been converted into ordinary shares at the beginning of the year if later, the date of the issue of the potential ordinary shares.

The following table reflects loss and share data used in the computation of basic and diluted loss per share for the years ended 31 December:

The Group	**2014**	2013
Loss for the year attributable to owners of the parent (RMB'000)	**(221,100)**	(215,356)
Weighted average number of ordinary shares ('000)	**2,275,000**	2,107,603
Loss per share (RMB cents)		
- Basic	**(9.72)**	(10.22)
- Diluted	**(9.72)**	(10.22)

Diluted loss per share is similar to basic loss per share as there were no potential dilutive ordinary shares existing during the year.

27. Segment information

Reporting format

For management purposes, the Group is organised into business segments as the Group's risks and rates of return are affected predominantly by differences in the products produced. The operating businesses are organised and managed separately according to the nature of the products produced, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group's business is organised into five business segments, namely:

(i) Fully Drawn Yarn ("FDY")

Fully Drawn Yarn is a melt-spun continuous filament yarn which has been highly oriented, either by drawing at a high draw ratio or by spinning at a high wind-up speed such that there is little residual drawability.

(ii) Drawn Textured Yarn ("DTY")

Drawn Textured Yarn is a type of yarn produced using the draw texturing method to create a unique texture on the yarn.

(iii) Blended Yarn ("BY")

Blended Yarn is a composite yarn made from two or more constituent materials.

(iv) Triangular-fibre Yarn ("TFY")

Triangular-fibre Yarn is spun from polyester filaments which have a reflective surface due to its triangular cross sectional shape similar to that of silk.

27. Segment information (Cont'd)

(v) Warp Knit Fabric ("WKF")

Warp Knit Fabric is made through the process of warp-knitting.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segment's gross profit or loss. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

The following table presents revenue, results and other information regarding the Group's business segments for the financial year ended 31 December 2014:

	FDY	DTY	POY	BY	TFY	WKF	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
The Group							
2014							
Revenue							
Sales to external customers	**16,371**	**54,102**	**-**	**388**	**-**	**19,848**	**90,709**
Results							
Segment gross profit/(loss)	**(4,682)**	**(2,372)**	**-**	**388**	**-**	**(633)**	**(7,299)**

	FDY	DTY	POY	BY	TFY	WKF	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
The Group							
2013							
Revenue							
Sales to external customers	135,184	57,056	5,129	8,347	405	65,613	271,734
Results							
Segment gross profit/(loss)	(22,160)	3,214	(1,703)	496	(38)	(17,638)	(37,829)

Allocation basis and transfer pricing

Segment gross profit/(loss) before taxation is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly finance income, other income, selling and distribution expenses, general and administrative expenses and finance expense.

The allocation of the group assets and liabilities attributable to individual segments is not presented as the information is not provided to the chief operating decision maker.

27. Segment information (Cont'd)

Geographical information

There is no geographical information provided as the Group's revenue and non-current assets are generated from/located in the PRC only. The non-current assets cannot be allocated to the different geographical segments as they can be used for the production of all the finished goods sold by the Group.

Information about major customers

During the financial year, two (2013 - two) of the Group's customers separately accounted for more than 10% of the Group's sales, derived from FDY, BY, POY, DTY, TFY and WKF segments.

28. Commitments

(a) Capital commitments

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

The Group	**2014** **RMB'000**	2013 RMB'000
Commitment in respect of:		
Purchase of plant and production machinery	**167,985**	193,114

(b) Operating lease commitments – *where the Group is the lessee*

In addition to the land use rights disclosed in Note 6, the Group has an operating lease agreement in respect of factory and office premises utilised by New Huawei owned by Fujian Huawei Chemical Fibre Dyeing Co., Ltd, in the PRC for a period of three years, commencing from 1 November 2014 to 31 October 2017, for a lease amount of approximately RMB 12 million per annum. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

Minimum lease payments, including the amortisation of land use rights and cost of preparation of land recognised as an expense in statement of comprehensive income for the financial year ended 31 December 2014 amounted to RMB 17.3 million (2013 - RMB 17.3 million). Future minimum rentals payable under non-cancellable operating leases (excluding land use rights) as at the end of the reporting period are as follows:

The Group	**2014** **RMB'000**	2013 RMB'000
Not later than 1 year	**12,000**	10,000
Later than 1 year but not later than 5 years	**22,000**	-
Later than 5 years	**-**	-
	34,000	10,000

28. Commitments (Cont'd)

(c) Operating lease commitments - *where the Group is the lessor*

At the end of the reporting period, The Group had the following rental income under non-cancellable lease for its production factory and production machinery (Note 5(f)) with term of more than one year:

The Group	2014 RMB'000	2013 RMB'000
Not later than 1 year	**3,000**	-
Later than 1 year but not later than 5 years	**4,750**	-
Later than 5 years	**-**	-
	7,750	-

(d) Participation fee commitments

The Group	2014 RMB'000	2013 RMB'000
Not later than 1 year	**9,599**	12,250
Later than 1 year but not later than 5 years	**500**	750

As part of the terms and conditions stipulated in the Facility agreement (as disclosed in Note 16) entered with the certain financial institutions, the Group is required to pay annual agency fee of RMB 250,000 from FY 2014 to FY 2017 and a one-time participation fee of RMB 12.3 million in 2 equal instalments to a group of participating financial institutions led by China Construction Bank at the time of fully disbursement of the 4-year syndicated loans.

29. Financial risk management objectives and policies

The Company and the Group have documented financial risk management policies. These policies set out the Company's and the Group's overall business strategies and its risk management philosophy. The Company and the Group are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks included credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk. The Company's and the Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise adverse effects from the unpredictability of financial markets on the Company's and the Group's financial performance. The Company and the Group use financial instruments such as interest rate swaps and forward foreign exchange contracts to hedge certain risk exposures.

Risk management is carried out by the Finance Division under policies approved by the Board of Directors. The Finance Division identifies, evaluates and hedges financial risks in close co-operation with the Company's and the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instrument and investing excess liquidity.

There has been no change to the Group's exposure to financial risks or the manner in which it manages and measures the risks. Market risk exposures are measured using sensitivity analysis indicated below.

The Group does not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchange.

29. Financial risk management objectives and policies (Cont'd)

It is, and has been throughout the years under review, the Group's policy that no trading in derivative financial instruments shall be undertaken.

The Group's principal financial instruments comprise short term bank loans, bills payable to banks, cash and short term deposits. The main purpose of these financial instruments is to provide funds for the Group's operations. The Group has various other financial assets and liabilities such as trade and other receivables and trade and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risks (both fair value and cash flow), liquidity risk, foreign currency risk and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss. The Group's exposure to credit risk arises primarily from trade and other receivables. For trade receivables, the Group adopts the practice of dealing only with those customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

The Group's objective is to seek continual growth while minimising losses incurred due to increased credit risk exposure.

The Group has established a credit policy under which the creditworthiness of each new customer is evaluated individually before the Group grants credit to the customer. Credit limits are established for each customer, which represents the maximum open amount without requiring approval from the directors. Payments will be required to be made upfront by customers, which do not meet the Group's credit requirements.

Amounts due from customers are closely monitored and reviewed on a regular basis to identify any non-payment or delay in payment, and to understand the reasons, so that appropriate actions can be taken promptly. Through ongoing credit monitoring and existing collection procedures in place, credit risk is mitigated substantially.

The Group evaluates whether there is any objective evidence that trade and other receivables are impaired, and determines the amount of impairment loss as a result of the inability of the debtors to make required payments. The Group bases the estimates on the ageing of the receivable balances, creditworthiness of the debtors and historical write-off experience. If the financial conditions of the debtors were to deteriorate, actual write-offs would be higher than estimated.

Amount not paid after the credit period granted will be considered past due. The credit terms granted to customers are based on the Group's assessment of their creditworthiness and in accordance with the Group's policy.

In determining the recoverability of trade and other receivables, the Group considers any change in the credit quality of the trade and other receivables from the date credit was initially granted up to the end of each reporting period.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures.

29. Financial risk management objectives and policies (Cont'd)

Credit risk (Cont'd)

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group focuses on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Exposure to credit risk

At the balance sheet date, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheets as disclosed in Note 11 to the financial statements.

Credit risk concentration profile

As at 31 December 2014, one customer (2013: 3) has/ have aggregated outstanding balance exceeded 90% of the outstanding trade receivables net of allowance for doubtful debts. As at 31 December 2013, each of these 3 customer had individual balance greater than RMB 10.0 million.

Financial assets that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 11 (Trade and other receivables).

Liquidity risk

Liquidity risk is the risk that the Company or the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments that are settled by delivering cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Company and the Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Company and the Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

29. Financial risk management objectives and policies (Cont'd)

Liquidity risk (Cont'd)

The Group's financial liabilities comprising trade and other payables and borrowings with contractual undiscounted cash flows. Nevertheless, the Group ensures that there are adequate funds to meet all its obligations in a timely and cost-effective manner. The Group maintains sufficient level of cash and bank balances and has available adequate amount of committed credit facilities from financial and non-financial institutions to meet its working capital requirements. The Group also relies on short term fundings from shareholder.

The government of the PRC imposes control over foreign currencies. Renminbi, the official currency in PRC, is not freely convertible. Enterprises operating in the PRC can enter into exchange transactions through the People's Bank of China or other authorised financial institutions.

Exchanges of Renminbi for foreign currency must be arranged through the People's Bank of China or other authorised financial institutions. Approval for exchanges at the People's Bank of China or other authorised financial institutions is granted to enterprises in the PRC for valid reasons such as purchase of imported materials and remittance of earnings. While conversion of Renminbi into foreign currencies can generally be effected at the People's Bank of China or other authorised financial institutions, there is no guarantee that it can be effected at all times.

The Group's liquidity risk management policy is to maintain sufficient liquid financial assets. In particular, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The Group has contractual commitments to complete the construction of the new Huaxiang Project (See Note 28(a)). The Group has long-term secured loans which contain debt covenant. A breach of this covenant may require the Group to repay the loan earlier than indicated in the table below.

29. Financial risk management objectives and policies (Cont'd)

Liquidity risk (Cont'd)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

The Group	Carrying amount RMB'000	Contractual cash flows RMB'000	Within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000
2014					
Financial assets:					
Trade and other receivables	290,214	290,214	290,214	-	-
Bank deposits pledged	267,904	275,748	275,748	-	-
Cash and short-term deposits	66,473	66,473	66,473	-	-
Total undiscounted financial assets	624,591	632,435	632,435		-
Financial liabilities:					
Trade and other payables	(837,701)	(837,701)	(837,701)	-	-
Other liabilities	(50,977)	(50,977)	(50,977)	-	-
Financial liabilities	(1,350,165)	(1,460,091)	(763,547)	(332,037)	(364,507)
Obligations under finance leases	(93,018)	(100,405)	(45,890)	(45,890)	(8,625)
Total undiscounted financial liabilities	(2,331,861)	(2,449,174)	(1,698,115)	(377,927)	(373,132)
Total net undiscounted financial (liabilities)	(1,707,270)	(1,816,739)	(1,065,680)	(377,927)	(373,132)

The Company	Carrying amount RMB'000	Contractual cash flows RMB'000	Within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000
Financial assets:					
Cash and short-term deposits	25	25	25	-	-
Total undiscounted financial assets	25	25	25	-	-
Financial liabilities:					
Trade and other payables	(52,178)	(52,178)	(52,178)	-	-
Other liabilities	(14,203)	(14,203)	(14,203)	-	-
Total undiscounted financial liabilities	(66,381)	(66,381)	(66,381)	-	-
Total net undiscounted financial (liabilities)	(66,356)	(66,356)	(66,356)	-	-

29. Financial risk management objectives and policies (Cont'd)

Liquidity risk (Cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

The Group	Carrying amount RMB'000	Contractual cash flows RMB'000	Within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000
2013					
Financial assets:					
Trade and other receivables	93,896	93,896	93,896	-	-
Bank deposits pledged	303,870	303,870	303,870	-	-
Cash and short-term deposits	7,966	7,966	7,966	-	-
Total undiscounted financial assets	**405,732**	**405,732**	**405,732**	**-**	**-**
Financial liabilities:					
Trade and other payables	(844,496)	(844,496)	(844,496)	-	-
Other liabilities	(39,214)	(39,214)	(39,214)	-	-
Financial liabilities	(760,669)	(760,669)	(760,669))	-	-
Total undiscounted financial liabilities	**(1,644,379)**	**(1,644,379)**	**(1,644,379)**	**-**	**-**
Total net undiscounted financial (liabilities)	**(1,238,647)**	**(1,238,647)**	**(1,238,647)**	**-**	**-**

The Company					
Financial assets:					
Trade and other receivables	60	60	60	-	-
Cash and short-term deposits	267	267	267	-	-
Total undiscounted financial assets	327	327	327	-	-
Financial liabilities:					
Trade and other payables	(33,666)	(33,666)	(33,666)	-	-
Other liabilities	(2,436)	(2,436)	(2,436)	-	-
Total undiscounted financial liabilities	(36,102)	(36,102)	(36,102)	-	-
Total net undiscounted financial (liabilities)	(36,286)	(36,286)	(36,286)	-	-

The maturity analyses show the contractual undiscounted cash flows of the Group and the Company's financial liabilities on the basis of their earliest possible contractual maturity. The cash inflows/(outflows) disclosed relate to those instruments held for risk management purposes and which are usually not closed out prior to contractual maturity.

Market price risk

Price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices.

The Group does not hold any quoted or marketable financial instruments, hence, is not exposed to any movement in market prices.

29. Financial risk management objectives and policies (Cont'd)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from cash at bank and short term bank loans. The Group obtains additional financing through bank borrowings at a mix of fixed and floating interest rate. The Group's policy is to obtain the most favourable interest rates available.

Surplus funds are placed with reputable banks.

Information relating to the Group's and Company's interest rate exposure is also disclosed in Notes 13, 16, 17 and 18 to the financial statements.

At the end of each reporting period, the carrying amount of the interest-bearing financial instruments is as follows:

The Group	2014 RMB'000	2013 RMB'000
Fixed rate instruments		
Financial liabilities		
- loans from banks and non-financial institutions	(970,165)	(628,669)
- obligations under finance leases	(93,018)	-
	(1,063,183)	(628,669)
Variable rate instruments		
Financial assets		
- Bank deposits pledged	267,904	303,870
- Bank balances	65,610	7,532
Bills receivables	1,293	1,750
Financial liabilities		
- bank loans (secured)	(380,000)	(132,000)
- bills payable to banks	(532,592)	(547,861)
	(577,785)	(366,709)

Sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate assets or liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of each reporting period would not affect profit or loss.

Sensitivity analysis for interest rate risk

As at 31 December 2014, if RMB interest rates had been 100 basis points (2013 - 100 basis points) lower/higher with all other variables held constant, the Group's loss after tax would have been RMB 4.3 million (2013 - RMB 2.7 million) lower/higher, arising mainly as a result of lower/higher interest income and expense on cash at banks and short term bank loans respectively. The assumed movement in basis points for interest rate sensitivity analysis is based on observable market environment.

The Group's policy is to obtain the most favourable interest rates available without increasing its interest rate exposure.

29. Financial risk management objectives and policies (Cont'd)

Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

The Group has exposures arising from transactions that are denominated in a currency other than the respective functional currencies of group entities, namely Renminbi. The foreign currency transactions are denominated primarily in United States dollar and Euro. The Group holds cash and bank balances denominated in United States dollar for working capital purposes.

Consequently, the Group is exposed to movements in foreign currency exchange rates. However, the Group does not use any financial derivatives such as foreign currency forward contracts, foreign currency options or swaps for hedging purposes.

The Group's exposures in financial instruments to the various foreign currencies are mainly as follows:

	2014			2013		
	SGD'000	**USD'000**	**EUR'000**	SGD'000	USD'000	EUR'000
The Group						
Cash and short term deposits	**23**	**225**	**-**	279	1,694	-
Other liabilities	**(4,210)**	**-**	**-**	(511)	-	-
Financial liabilities	**-**	**-**	**(26,095)**	-	-	(57,029)
	(4,187)	**225**	**(26,095)**	(232)	1,694	(57,029)

Currently, the PRC government imposes control over foreign currencies. RMB, the official currency in China, is not freely convertible. Enterprises operating in the PRC can enter into exchange transactions through the People's Bank of China or other authorised financial institutions.

Exchanges of RMB for foreign currency must be arranged through the People's Bank of China or other authorised financial institutions. Approval for exchanges at the People's Bank of China or other authorised financial institutions is granted to enterprises in the PRC for valid reasons such as purchase of imported materials and remittance of earnings. While conversion of RMB into foreign currencies can generally be effected at the People's Bank of China or other authorised financial institutions, there is no guarantee that it can be effected at all times.

29. Financial risk management objectives and policies (Cont'd)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's cash and bank balances and other liabilities and provisions denominated in USD and SGD held by the PRC subsidiaries whose functional currency is RMB, to a reasonably possible change in the USD and SGD exchange rates against the RMB, with all other variables held constant.

The Group		Loss net of tax / Equity 2014 RMB'000	2013 RMB'000
USD/RMB	- strengthened 3% (2013 - 3%)	**7**	51
	- weakened 3% (2013 - 3%)	**(7)**	(51)
SGD/RMB	- strengthened 3% (2013 - 3%)	**(126)**	(7)
	- weakened 3% (2013 - 3%)	**126**	7
EUR/RMB	- strengthened 3% (2013 - 3%)	**(783)**	(1,710)
	- weakened 3% (2013 - 3%)	**783**	1,710

30. Fair value of financial instruments

Accounting classifications and fair values

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

(a) Level 1: those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities

(b) Level 2: those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

(c) Level 3: those derived from valuation technique that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value measurement of financial instruments

The carrying values of variable rate bank loans approximate their fair values.

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, trade and other payables and interest-bearing borrowings) or those which reprice regularly approximate their fair values because of the short period to maturity or repricing.

30. Fair value of financial instruments (Cont'd)

Fair value measurement of financial instruments (Cont'd)

The following table shows the Levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at 31 December 2014 and 31 December 2013:

	2014				
	Carrying amounts		Fair values		
	Other liabilities RMB'000	Total RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
The Group					
Financial liabilities measured at fair value					
Financial liabilities	**(1,350,165)**	**(1,350,165)**	**-**	**-**	**(1,357,472)**
Obligations under finance lease	**(93,018)**	**(93,018)**	**-**	**-**	**(95,713)**
	(1,443,183)	**(1,443,183)**	**-**	**-**	**(1,453,185)**

	2013				
	Carrying amounts		Fair values		
	Other liabilities RMB'000	Total RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Financial liabilities measured at fair value					
Financial liabilities	(760,669)	(760,669)	-	-	(748,184)
	(760,669)	(760,669)	-	-	(748,184)

31. Capital management

The Group's objectives when managing capital are:

(a) To safeguard the Group's abilities to continue as a going concern;
(b) To support and the Group's stabilities and growth;
(c) To provide capital for the purpose of strengthening and the Group's risk management capabilities; and
(d) To provide an adequate return to the shareholders.

The Group actively and regularly review and manage its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently do not adapt any formal dividend policy.

No changes were made in the objectives, policies or processes during the financial year ended 31 December 2014. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's priority is to continue to obtain financial support from the bankers to fund the New Production Facilities of Huaxiang China. The Group includes within net debt, short term bank loans, trade and other payables, other liabilities, less cash and cash equivalents. Capital includes equity attributable to the equity holders less the abovementioned restricted PRC statutory reserve fund.

31. Capital management (Cont'd)

The Group	2014 RMB'000	2013 RMB'000
Financial liabilities (Note 16)	**1,350,165**	760,669
Obligations under finance leases (Note 17)	**93,018**	-
Trade and other payables (Note 18)	**857,692**	898,543
Other liabilities (Note 19)	**50,977**	39,214
Total debt	**2,351,852**	1,698,426
Less:		
Cash and short term deposits (Note 13)	**(66,473)**	(7,966)
Net debt	**2,285,379**	1,690,460
Equity attributable to the equity holders	**826,277**	1,047,377
Capital and net debt	**3,111,656**	2,737,837
Gearing ratio	**73.4%**	61.7%

32. Events occurring after the reporting period

Subsequent to the balance sheet date, the Company proposes to undertake a share consolidation of every twenty existing issued ordinary shares in the capital of the Company held by shareholders of the Company, subject to shareholders' approval at an extraordinary general meeting of the Company and the approval in-principle from SGX-ST for the listing of and quotation for the consolidated shares arising from the proposed share consolidation.

SHAREHOLDERS' INFORMATION

AS AT 11 MARCH 2015

Class of shares	:	Ordinary shares
Issued and fully paid-up capital	:	S$449,593,216.00
Number of Shares issued	:	2,275,000,010
Voting rights	:	One vote per share

The Company does not hold any Treasury Shares.

STATISTICS OF SHAREHOLDINGS

Size of Shareholding	Number of Shareholders	%	Number of Shares	%
1 - 99	-	-	-	-
100 - 1,000	41	1.66	41,000	0.00
1,001 - 10,000	547	22.07	3,702,036	0.16
10,001 - 1,000,000	1,822	73.53	227,979,142	10.02
1,000,001 and above	68	2.74	2,043,277,832	89.82
	2,478	100.00	2,275,000,010	100.00

SUBSTANTIAL SHAREHOLDERS AS AT 11 MARCH 2015

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
China Success Group (International Holdings) Limited(1)	410,900,000	18.06	-	-
Cao Xiangbin(1)	-	-	410,900,000	18.06
Daewoo Securities Co., Ltd(2)	-	-	166,186,280	7.30
Fleur Growth Fund Limited(3)	675,000,000	29.67	-	-
Fleur Capital (S) Pte. Ltd. (3)	-	-	675,000,000	29.67
China Full International Investments Limited(3)(4)	-	-	675,000,000	29.67
Orient Fame (Asia) Limited(3)(5)	-	-	675,000,000	29.67
Ye Chunyan(4)	-	-	675,000,000	29.67
Lin Liangzhu(5)	-	-	675,000,000	29.67

Notes:

(1) Mr Cao Xiangbin is the 99.8% legal and beneficial shareholder of China Success Group (International Holdings) Limited ("China Success"), holding 99.8% shares in China Success. By virtue of Section 4 of the Securities and Futures Act (Cap. 289) ("SFA"), Mr Cao is deemed interested in the shares held by China Success in the capital of the Company.

(2) Daewoo Securities Co., Ltd holds 8,309,314 Korean Depository Receipts representing 166,186,280 shares in the issued and paid-up capital of the Company.

(3) Fleur Capital (S) Pte. Ltd. ("Fleur Capital") is the fund manager of Fleur Growth Fund Limited ("Fleur Growth Fund"). By virtue of Fleur Capital's discretionary investment management powers in Fleur Growth Fund, Fleur Capital is deemed interested in the shares held by Fleur Growth Fund in the capital of the Company.

China Full International Investments Limited ("China Full International Investments") is a shareholder of Fleur Growth Fund. By virtue of Section 4 of the SFA, China Full International Investments is deemed interested in the shares held by Fleur Growth Fund in the capital of the Company.

SHAREHOLDERS' INFORMATION (CONT'D)

AS AT 11 MARCH 2015

Orient Fame (Asia) Limited ("Orient Fame Asia") is a shareholder of Fleur Growth Fund. By virtue of Section 4 of the SFA, Orient Fame Asia is deemed interested in the shares held by Fleur Growth Fund in the capital of the Company.

(4) Ye Chunyan is the beneficial owner of China Full International Investments. By virtue of Section 4 of the SFA, Ye Chunyan is deemed interested in the shares held by Fleur Growth Fund through her shareholdings in China Full International Investments in the capital of the Company.

(5) Lin Liangzhu is the beneficial owner of Orient Fame Asia. By virtue of Section 4 of the SFA, Lin Liangzhu is deemed interested in the shares held by Fleur Growth Fund through his shareholdings in Orient Fame Asia in the capital of the Company.

TWENTY LARGEST SHAREHOLDERS AS AT 11 MARCH 2015

No.	Name of Shareholders	Number of Shares	%
1.	PHILLIP SECURITIES PTE LTD	1,352,199,100	59.44
2.	CITIBANK NOMINEES SINGAPORE PTE LTD	304,803,153	13.40
3.	RAFFLES NOMINEES (PTE) LTD	103,957,100	4.57
4.	BANK OF SINGAPORE NOMINEES PTE LTD	29,919,000	1.32
5.	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	26,493,000	1.16
6.	LOW GEOK LIN JUDITH	26,355,000	1.16
7.	OCBC SECURITIES PRIVATE LTD	18,907,000	0.83
8.	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	16,031,460	0.70
9.	DBS NOMINEES PTE LTD	14,368,939	0.63
10.	UOB KAY HIAN PTE LTD	12,844,000	0.56
11.	TAN KIAN CHYE	11,600,000	0.51
12.	HSBC (SINGAPORE) NOMINEES PTE LTD	9,264,000	0.41
13	ONG ENG LOKE	8,970,000	0.39
14.	UNITED OVERSEAS BANK NOMINEES PTE LTD	4,954,000	0.22
15.	LONG YUIN LEE	4,500,000	0.20
16.	WONG YUN HEY	4,500,000	0.20
17.	MAYBANK KIM ENG SECURITIES PTE LTD	4,397,080	0.19
18.	HELEN YANG	4,100,000	0.18
19.	JIB SPECIALIST CONSULTANTS PTE LTD	3,200,000	0.14
20.	OCBC NOMINEES SINGAPORE PTE LTD	3,093,000	0.14

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

44.94% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

WARRANTHOLDERS' INFORMATION

AS AT 11 MARCH 2015

STATISTICS OF WARRANTHOLDINGS

Size of Warrantholdings	Number of Warrantholders	%	Number of Warrants	%
1 - 99	-	-	-	-
100 - 1,000	179	7.41	142,231	0.01
1,001 - 10,000	938	38.82	5,881,500	0.52
10,001 - 1,000,000	1,234	51.08	115,949,400	10.19
1,000,001 and above	65	2.69	1,015,526,859	89.28
	2,416	100.00	1,137,499,990	100.00

TWENTY LARGEST WARRANTHOLDERS AS AT 11 MARCH 2015

No.	Name of Warrantholders	Number of Warrants	%
1.	PHILLIP SECURITIES PTE LTD	602,271,000	52.95
2.	CITIBANK NOMINEES SINGAPORE PTE LTD	152,555,985	13.41
3.	RAFFLES NOMINEES (PTE) LTD	49,919,600	4.39
4.	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	13,269,500	1.17
5.	LOW GEOK LIN JUDITH	13,177,500	1.16
6.	NG KEN WOH	13,000,000	1.14
7.	BOON SUAN LEE	11,888,000	1.05
8.	OCBC SECURITIES PRIVATE LTD	9,837,000	0.86
9.	DBS NOMINEES PTE LTD	8,390,503	0.74
10.	TAI LI JIUEN (DAI LIJUAN)	7,500,000	0.66
11.	LIM LEONG KOO	7,000,000	0.62
12.	UOB KAY HIAN PTE LTD	6,735,100	0.59
13.	BANK OF SINGAPORE NOMINEES PTE LTD	6,314,000	0.56
14.	LIM TECK CHAY	5,000,000	0.44
15.	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	4,711,230	0.41
16.	LOO LIP GIAM	4,600,000	0.40
17.	CHENG WA SING	4,580,000	0.40
18.	HSBC (SINGAPORE) NOMINEES PTE LTD	4,434,000	0.39
19.	VINAY MATHUR	4,070,000	0.36
20.	TAN KIAN CHYE	4,050,000	0.36

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of CHINA GAOXIAN FIBRE FABRIC HOLDINGS LTD. (the "**Company**") will be held at Guild Room, The National University of Singapore Society (NUSS), Suntec City Guild House, 5 Temasek Boulevard, #02-401/402, Suntec Tower 5, Singapore 038983 on Thursday, 30 April 2015 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Financial Statements of the Company for the year ended 31 December 2014 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following directors of the Company ("**Directors**") retiring pursuant to Articles 114 and 118 of the Articles of Association of the Company:

Mr Tham Wan Loong, Jerome	*(Retiring under Article 114)*	**(Resolution 2)**
Mr Kwak Kyung Jik	*(Retiring under Article 114)*	**(Resolution 3)**
Mr Roberto Fabbri	*(Retiring under Article 118)*	**(Resolution 4)**
Mr Liu De Huang	*(Retiring under Article 118)*	**(Resolution 5)**
Mr Lin Xingdi	*(Retiring under Article 118)*	**(Resolution 6)**

   Mr Tham Wan Loong, Jerome will, upon re-election as a Director, remain as a member of the Audit Committee, Nominating Committee and Remuneration Committee. He will be considered non-independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

   Mr Kwak Kyung Jik will, upon re-election as a Director, remain as Chairman of the Remuneration Committee and a member of the Audit Committee. He will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

   Mr Roberto Fabbri will, upon re-election as a Director, remain as Chairman of the Nominating Committee and a member of the Remuneration Committee. He will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

3. To approve the payment of Directors' fees of S$205,000 for the financial year ending 31 December 2015, to be paid quarterly in arrears. (FY2014: S$205,000) **(Resolution 7)**

4. To re-appoint Foo Kon Tan LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 8)**

5. To transact any other ordinary business which may be transacted at an AGM.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolution as an Ordinary Resolution, with or without any modifications:

6. **Ordinary Resolution – Authority to issue shares by way of rights, bonus or otherwise**

   That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors be authorised and empowered to:

   (a) issue shares in the capital of the Company ("**Shares**") whether by way of rights, bonus or otherwise in proportion, as nearly as the circumstances admit, to the amount of the existing Shares to which such members of the Company are entitled or hold at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

   (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instruments (as defined in Resolution 10 hereinafter) made or granted by the Directors while this Resolution was in force, provided that:

(1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to Resolution 10) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury shares) shall be based on the total number of issued Shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

  (a) new Shares arising from the conversion or exercise of any convertible securities;

  (b) new Shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

  (c) any subsequent bonus issue, consolidation or subdivision of Shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Articles of Association of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

(See Explanatory Note (i)) **(Resolution 9)**

To consider and if thought fit, to pass the following resolution as a Special Resolution, with or without any modifications:

7. Special Resolution – Authority to issue shares by way of making or granting offers, agreements or options

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors be authorised and empowered to:

(a) make or grant offers, agreements or options (collectively, "**Instruments**") to a person other than a member of the Company and/or to a member of the Company other than in accordance with Resolution 9 that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares, provided that in such case it shall be limited to the case necessary for the achievement of the Company's operational objectives, such as introduction of new technology, improvement of financial structures, etc.), at any time and upon such terms and conditions as the Directors may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors while this Resolution was in force,

NOTICE OF ANNUAL GENERAL MEETING
(CONT'D)

provided that:

(1) the aggregate number of Shares (including Shares to be issued pursuant to Resolution 9) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury shares) shall be based on the total number of issued Shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new Shares arising from the conversion or exercise of any convertible securities;

(b) new Shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

(c) any subsequent bonus issue, consolidation or subdivision of Shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Articles of Association of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

(See Explanatory Note (ii)) **(Resolution 10)**

By Order of the Board

Toh Li Ping, Angela
Company Secretary

Singapore, 8 April 2015

NOTICE OF ANNUAL GENERAL MEETING
(CONT'D)

Explanatory Notes on Special Business to be transacted:

(i) The Ordinary Resolution 9 in item 6 above, if passed, will empower the Directors, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue Shares and to issue Shares pursuant to Instruments, up to a number not exceeding, in total, 50% of the total number of issued Shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders of the Company.

For determining the aggregate number of Shares that may be issued, the total number of issued Shares (excluding treasury shares) will be calculated based on the total number of issued Shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution 9 is passed after adjusting for new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution 9 is passed and any subsequent bonus issue, consolidation or subdivision of Shares.

(ii) The Special Resolution 10 in item 7 above, if passed, will empower the Directors, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to make or grant Instruments convertible into Shares and to issue Shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued Shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders of the Company.

For determining the aggregate number of Shares that may be issued, the total number of issued Shares (excluding treasury shares) will be calculated based on the total number of issued Shares (excluding treasury shares) in the capital of the Company at the time this Special Resolution 10 is passed after adjusting for new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Special Resolution 10 is passed and any subsequent bonus issue, consolidation or subdivision of Shares.

Notes –

1. A Member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. If the appointor is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.

3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623 not less than forty-eight (48) hours before the time appointed for holding the AGM.

4. Holders of the Korean Depository Receipts ("**KDRs**") in the Company may, by giving notice to the Korean Securities Depository ("**KSD**") no later than 5 Korean business days prior to the date to the Annual General Meeting and in accordance with the terms set out in the form entitled "Application of Voting Rights" to be sent by KSD to the KDR holders, exercise through KSD or its designated custodian(s) the voting rights attached to the Shares deposited with KSD and represented by the KDRs.

5. Members who wish to attend the AGM are strongly advised to adhere to the smart casual dress code of Suntec City Guild House as follows:-

   Ladies
   Dress, blouse, skirt, pants or collared t-shirt with proper covered shoes or sandals.

   Gentlemen
   Shirt or t-shirt with collar, or Mandarin collar with sleeves, including sweaters, proper trousers with covered shoes.

   Please note that slippers and flip-flops are strictly not allowed to be worn in Suntec City Guild House.

NOTICE OF ANNUAL GENERAL MEETING
(CONT'D)

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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CHINA GAOXIAN FIBRE FABRIC HOLDINGS LTD.
(Incorporated In the Republic of Singapore with limited liability)
(Co. Reg. No: 2008187812K)

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. For investors who have used their CPF monies to buy CHINA GAOXIAN FIBRE FABRIC HOLDINGS LTD.'s shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to vote should contact their CPF Approved Nominees.

*I/We, ____________________

of ____________________

being a member/members of CHINA GAOXIAN FIBRE FABRIC HOLDINGS LTD. (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing *him/her, the Chairman of the Meeting as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at Guild Room, The National University of Singapore Society (NUSS), Suntec City Guild House, 5 Temasek Boulevard, #02-401/402, Suntec Tower 5, Singapore 038983 on Thursday, 30 April 2015 at 10.00 a.m. and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the *proxy/proxies will vote or abstain from voting at *his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick (✓) within the box provided.)

No.	**Ordinary Resolutions relating to:**	**For**	**Against**
1.	Directors' Report and Audited Financial Statements for the year ended 31 December 2014		
2.	Re-election of Tham Wan Loong, Jerome as a Director		
3.	Re-election of Kwak Kyung Jik as a Director		
4.	Re-election of Roberto Fabbri as a Director		
5.	Re-election of Liu De Huang as a Director		
6.	Re-election of Lin Xingdi as a Director		
7.	Approval of Directors' fees amounting to S$205,000 for the financial year ending 31 December 2015, to be paid quarterly in arrears		
8.	Re-appointment of Foo Kon Tan LLP as Auditors		
9.	Authority to issue shares by way of rights, bonus or otherwise		
	Special Resolution relating to:		
10	Authority to issue shares by way of making or granting offers, agreements or options		

**Delete where inapplicable*

Dated this __________ day of ______________ 2015

Total number of Shares in:	**No. of Shares**
(a) CDP Register	
(b) Register of Members	

____
Signature of Shareholder(s)/
and, Common Seal of Corporate Shareholder

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623 not less than 48 hours before the time appointed for the Meeting.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

6. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.