

HESHE HOLDINGS LIMITED
(Company Registration No. 197501110N)

ANNOUNCEMENT PURSUANT TO RULE 704(5) OF THE LISTING MANUAL – ANY QUALIFICATION OR EMPHASIS OF A MATTER BY THE AUDITORS ON THE FINANCIAL STATEMENTS OF THE ISSUER

Further to the announcements made by Heshe Holdings Limited (“Heshe” or “the Company”) on 29 August 2005 and 2 September 2005 relating to “Full Year Financial Statement and Dividend Announcement for the period ended 30 June 2005” and “Clarification of Full Year Financial Statement and Dividend Announcement for the period ended 30 June 2005” respectively, the Board of Directors of the Company wishes to announce the following in relation to the Auditors’ Report issued to the Members of Heshe for the financial year ended 30 June 2005 which has been issued today:

**“AUDITORS’ REPORT TO THE MEMBERS OF
HESHE HOLDINGS LIMITED**

We have audited the accompanying financial statements of Heshe Holdings Limited set out on pages 9 to 46 for the financial year ended 30 June 2005, comprising the balance sheet of the Company and the consolidated financial statements of the Group. These financial statements are the responsibility of the Company’s directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as disclosed in the paragraph below, we conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform our audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements for the previous financial year were reported on by auditors other than PricewaterhouseCoopers. The audit report dated 5 November 2004 issued by the predecessor auditors on the financial statements for the financial year ended 30 June 2004 was qualified as the auditors were not able to carry out sufficient appropriate audit procedures to form a view with respect to the following:

- (1) Recoverability of the carrying value of the leasehold property held by a subsidiary, Xiamen Xiangyu Trading Ltd, of \$823,000 as at 30 June 2004;
- (2) Recoverability of the investment in, and amount due from an associated company, Heshe-Kabil Industrial Developments Pte Ltd, of \$348,000 and \$2,821,000 respectively as at 30 June 2004;
- (3) Recoverability of investments in subsidiaries amounting to \$4,004,000 as at 30 June 2004;
- (4) Appropriateness of the classifications of the Group’s total loss of \$2,348,000 relating to its investment in a joint venture, SL-Tele Pte. Ltd., included in the income statement for the financial year ended 30 June 2004 as \$289,000 in share of results of joint venture and \$2,637,000 as net loss on disposal of the joint venture;

- (5) Appropriateness of the classifications of revenue, other income, expenses, gain on deconsolidation, cash flows and other disclosure items with respect to the discontinued operations of Poly-Allied Knitwear (Pte.) Limited and its subsidiaries for the financial year ended 30 June 2004; and
- (6) Recoverability of the amount due from a former subsidiary, PT Heshe Indonesia, of \$2,106,000 to the Group and the Company as at 30 June 2004 for which no allowance for doubtful debts has been made.

We have been unable to carry out the necessary audit procedures to provide us with sufficient evidence to give reasonable assurance that the carrying value of the leasehold property of \$823,000 as at 30 June 2004; the investment in, and amount due from an associated company, Heshe-Kabil Industrial Developments Pte Ltd, of \$348,000 and \$2,821,000 respectively as at 30 June 2004; and the amount due from a former subsidiary, PT Heshe Indonesia, of \$2,106,000 as at 30 June 2004 are appropriate. For the financial year ended 30 June 2005, the Group has included in its loss from operations the adjustments for allowance for doubtful debts for amount due from an associated company, Heshe-Kabil Industrial Developments Pte Ltd, of \$2,707,000 and allowance for doubtful debts for amount due from a former subsidiary, PT Heshe Indonesia, of \$2,106,000. The directors are unable to ascertain the impact of these adjustments on the prior year's financial statements which may have a consequential effect on the results of the Group for the financial year ended 30 June 2005. Any material misstatement arising from the matters referred to above may have a consequential effect on the results of the Group for the financial year ended 30 June 2005.

In our opinion, except for the effects on the income statement of the Group of those matters referred to in the preceding paragraph, the accompanying balance sheet of the Company and the consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Companies Act, Cap 50 ("the Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2005, and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

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

PricewaterhouseCoopers
Certified Public Accountants
Singapore, 16 September 2005"

By Order of the Board

Chng Weng Wah
Director

16 September 2005