CHINA FIBRETECH LTD.

(Company Registration No. 40381)
(Incorporated in Bermuda)

ANNOUNCEMENT PURSUANT TO RULE 704(5) OF THE LISTING MANUAL – DISCLAIMER OF OPINION BY THE INDEPENDENT AUDITORS ON THE FINANCIAL STATEMENTS FOR FINANCIAL YEAR ENDED 31 DECEMBER 2016

Pursuant to Rule 704(5) of the Listing Manual of the SGX-ST, The board of directors (the "**Board**" or "**Directors**") of China Fibretech Ltd. (the "**Company**", together with its subsidiaries, referred to as the "**Group**") wishes to announce that the Company's independent auditors, RT LLP, had included a disclaimer of opinion in the Independent Auditors' Report on the financial statements for the financial year ended 31 December 2016 ("**FY2016**"). An extract of the Independent Auditors' Report is attached to this announcement for shareholders' reference.

Shareholders of the Company are advised to read the Independent Auditors' Report and the Group's financial statements for FY2016 in the Company's annual report, which will be despatched in due course.

By Order of the Board

Choo Han Kiat, Eric
Executive Director
13 June 2018

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of China Fibretech Ltd. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group, and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 10 to 61.

We do not express an opinion on the accompanying financial statements of the Group and the statement of financial position and statement of changes in equity of the Company. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

(1) Opening balances

Our independent auditor's report dated 20 December 2016 contains a disclaimer of opinion on the financial statements for the financial year ended 31 December 2015. The basis for disclaimer of opinion on the financial statements for the financial year ended 31 December 2015 is disclosed in Note 32 to the financial statements.

In view of the matters described in the basis for disclaimer of opinion paragraphs on the financial statements for the financial year ended 31 Decermber 2015, we were unable to determine whether the opening balances as at 1 January 2016 are fairly stated.

Since the opening balances as at 1 January 2016 are entered into the determination of the financial position of the Group and of the Company as at 31 December 2016 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended 31 December 2016, we were unable to determine whether adjustments, if any, might have been found to be necessary in respect of the Group's and the Company's financial statements for the financial year ended 31 December 2016.

Our opinion on the current financial year's financial statements of the Group and the Company is also modified because of the possible effects of these matters on the comparability of the current year's figures and the corresponding figures.

Report on the Audit of the Financial Statements (Continued)

Basis for Disclaimer of Opinion (Continued)

(2) Compensation claims by three customers

As disclosed in Note 30(a), on 30 November 2015, the Company' s wholly-owned subsidiary, Shishi Simwa Knitting & Dyeing Co., Ltd (石狮市新华针织漂染有限公司) first received notices from its three existing customers ("Claimants") on 25 November 2015 and 26 November 2015 alleging that they had suffered substantial damages and financial losses due to the products processed by that subsidiary for not meeting their specified requirements, resulting in de-colouration of their end-products (the "Claims"). It was noted that the said notices did not contain quantification of the alleged losses incurred. These Claims were for products delivered in 2014 and early 2015.

The matters relating to the compensations were disclosed by the Company in their announcements on the Singapore Exchange dated 8 April 2016, 19 July 2016, 27 September 2016, and 29 September 2016.

Arising from the payment of compensation on 28 September 2016 as announced on 29 September 2016 [Note30 (a)], management has made a provision for compensation claims as at 31 December 2016 which amounted to RMBNil (2015: RMB470,475,000) as disclosed in Note 23 to the financial statements. We have not been able to verify the quantum of the payment as well as the parties to which the payments had allegedly been made. We were unable to verify the matters mentioned in the above announcements.

We were informed by the audit committee on Decmber 2017, the board of directors of the Company have engaged special audit to conduct investigation on cash in bank and compensation claims by three customers. Consequently, we have not been provided with or able to obtain any independent evidence that would be sufficient and appropriate for our audit purposes to conclude on the Claims, their validity and their accounting treatment and disclosures.

(3) Bank confirmation

We were informed by the audit committee on December 2017 that the board of directors of the Company has engaged a special audit to conduct investigation on cash in bank and compensation claims by three customers (see point (2) above). Consequently, we were unable to carry out our audit procedures to obtain sufficient appropriate audit evidence to satisfy ourselves as to the existence and the quantum of the bank balances in the current account and fixed deposits account amounting to RMB658,000 and RMBNil respectively (see Note 19) as at 31 December 2016. In addition, we were also unable to determine the existence, quantum and completeness of the bank borrowings, which amounted to RMB12,900,000 (see Note 24) as at 31 December 2016.

Further, as disclosed in Note 24(a) & (b) to the financial statements, the bank borrowings of RMB4,400,000, RMB3,500,000 and RMB5,000,0000 granted to the Group had matured on 5 September 2017, 8 August 2017 and 22 March 2017 respectively. We have not been provided with any supporting documents with respect to the settlement of these borrowings. Consequently, we were unable to establish whether these loans have been fully settled on their maturity date.

Report on the Audit of the Financial Statements (Continued)

Basis for Disclaimer of Opinion (Continued)

(4) Going concern

As disclosed in Note 1.2 to the financial statements, as at 31 December 2016, the Group's current liabilities exceeded its current assets by RMB10,340,000. In addition, the Group incurred a net loss of RMB3,587,000 and recorded net operating cash outflows of RMB 444,680,000 during the financial year ended 31 December 2016.

As disclosed in Note 30(a), and as noted in our report above (Point 2), the Group paid a total compensation amount of RMB465,998,000 after netting off against the trade receivables amounting to RMB4,477,000 to the Claimants namely, 晋江市滨浪制衣织造有限公司, 石狮市爱利奴服饰有限公司 and 石狮市金太屋纺织服饰有限公司.

Accordingly, the Group's cash and cash equivalents of approximately RMB660,000 (Note 19) as at 31 December 2016 have been substantially depleted due to the above compensation paid on 28 September 2016. This has created a material uncertainty with respect to cash flow management that may cast significant doubt over the Group's and the Company's ability to continue as going concerns.

As disclosed in Note 1.2 to the financial statements, the directors have prepared these financial statements on a going concern basis. Based on the limited information about the Group and of the Company made available to us, we were unable to perform alternative procedures to determine the appropriateness of the use of the going concern assumption.

(5) Prepayment of land use rights

As disclosed in Note 18 to the financial statements, included in prepayments is a payment of land use right over a plot of land measuring 16,235 square metres located at Wubao Industrial Zone, Shishi City (2003-1-4) 石狮市鸿山镇伍堡污染工业区 (2003-1-4). This was paid in 2008 with carrying value of approximately RMBNil (2015: RMB20,343,000) to the Land Bureau of Shishi Municipal Government (the "Land Bureau"). This certificate of the land use rights has not yet been issued by the Land Bureau since 2008. On September 2016, the prepayment of RMB20,343,000 has been refunded to the Company in due course based on recent contract with the Land Bureau.

As we had not been furnished by the Company with any of the supporting documents with respect to the refund from the Land Bureau, nor had we been able to obtain information or perform any alternative procedures with respect to the land use rights, accordingly, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the validity and existence of this prepayment .

Report on the Audit of the Financial Statements (Continued)

Basis for Disclaimer of Opinion (Continued)

(6) Property, plant and equipment and land use rights

As at 31 December 2016, the Group's carrying values of property, plant and equipment and land use rights amounted to RMB27,694,000 and RMB2,305,000 respectively. As disclosed in Note 24 to the financial statements, the bank borrowings are secured by the Group's buildings on leasehold land (Note 12) and land use rights (Note 13) with carrying amounts of RMB 6,268,000 and RMB2,305,000 respectively.

With reference to Point 3 above, we were not able to perform audit procedures relating to bank balances and borrowings. Consequently, we were unable to verify the ownership or collateralisation of the buildings on leasehold land and land use rights. The Company has informed us that the title deed is being held by the bank as collateral.

In addition, management has also not determined the recoverable amount of, nor assessed for any allowance for impairment of the property, plant and equipment and land use rights. We were also unable to perform alternative audit procedures to assess the appropriateness of the carrying amount of the property, plant and equipment and land use rights.

(7) Inventories

As at 31 December 2016, the Group's inventories had a carrying value of RMB564,000 (Note 16). As the Company did not make arrangements for us to observe the counting of physical inventories as at the end of the financial year, we were unable to satisfy ourselves concerning the inventory quantities held as at 31 December 2016. Neither were we able to perform alternative audit procedures. Consequently, we were unable to determine whether any adjustments might have been found necessary in respect of recorded and unrecorded inventories, and the elements making up the statements of financial position, consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and consolidated statement of cash flows.

Report on the Audit of the Financial Statements (Continued)

Basis for Disclaimer of Opinion (Continued)

(8) Tax provision

In view of the above matters mentioned in the Basis for Disclaimer of Opinion section of our report, we were unable to determine the consequential tax impact arising from any necessary and consequential adjustments and the appropriateness and completeness of disclosures made in the financial statements for the financial year ended 31 December 2016.

(9) Significant events during the financial year

We were unable to complete all our audit procedures for the significant events occurring during the financial year, which we considered necessary to satisfy ourselves on the significant matters occurring during the financial year with respect to items recorded or unrecorded as at 31 December 2016. Accordingly, in view that the Company has engaged a special audit to conduct investigation on the significant events noted in our report above (Points 2 and 3), we were unable to determine whether all significant events during the year have been adequately dealt with in these financial statements (see Note 30) with respect to disclosures, presentation and adjusting significant events during the financial year.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of financial statements in accordance with FRSs and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the Group's consolidated financial statements and Company's statement of financial position and statement of changes in equity in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

The engagement partner on the audit resulting in this independent auditor's report is Su Chun Keat.

RT LLP
Public Accountants and
Chartered Accountants

Singapore
13 June 2018