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 2015

Pursuant to Rule 704(5) of the Listing Manual of the SGX-ST, the Board of Directors of China Fibretech Ltd. (the "**Company**") 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 2015 ("**FY2015**"). 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 FY2015 in the Company's annual report, which will be despatched in due course.

BY ORDER OF THE BOARD
Choo Han Kiat, Eric
Executive Director
25 October 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHINA FIBRETECH LTD. FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of China Fibretech Ltd. (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position and statements of changes in equity of the Group and of the Company as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, and the consolidated statement of cash flows of the Group for the financial 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 Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with Singapore Standards on Auditing. Because of the matters described in the Basis for Disclaimer of Opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

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ONE FACE ACROSS ASEAN

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
CHINA FIBRETECH LTD.
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (Continued)

Report on the Financial Statements (Continued)

Basis for Disclaimer of Opinion

1. Opening balances

We were appointed as auditors on 30 November 2015 and were unable to obtain sufficient appropriate audit evidence in respect of the opening balances of the Group's property, plant and equipment, land use rights, inventories, trade and other receivables, prepayments, cash and cash equivalents, trade and other payables, bank borrowings, income tax payables and the Company's investment in subsidiaries, amount due from a subsidiary and amount due to a subsidiaries on 1 January 2015.

Since the opening balances as at 1 January 2015 are entered into the determination of the financial position of the Group and of the Company as at 31 December 2015 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 2015, we are 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 2015.

Our opinion on the current financial year's financial statements of the Group and the statement of financial position and statement of changes in equity of the Company is also modified because of the possible effect of these matters on the comparability of the current year's figures and the corresponding figures.

2. Compensation claims by three customers

As disclosed in Note 32(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 [Note32 (a)], management has made a provision for compensation claims as at 31 December 2015 which amounted to RMB470,475,000 as disclosed in Note 24 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.

Report on the Financial Statements (Continued)

Basis for Disclaimer of Opinion (Continued)

2. Compensation claims by three customers (Continued)

We were unable to verify the matters mentioned in the above announcements. 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. Consequently, we are not able to determine if the Claims should be accounted for as provision for compensation and neither were we able to verify on the Company's obligation to pay. Accordingly, we are unable to conclude on the nature and quantum of the provision and disclosure.

3. Bank confirmation

The management had not allowed for certain audit procedures to be performed and there were no acceptable alternatives to these procedures. 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 RMB250,125,000 and RMB200,000,000 respectively (see Note 20) as at 31 December 2015. 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 25) as at 31 December 2015.

Further, as disclosed in Note 25(a) & (b) to the financial statements, the bank borrowings of RMB4,400,000, RMB3,500,000 and RMB5,000,000 granted to the Group have matured on 14 September 2016, 17 August 2016 and 1 April 2016 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 at their maturity date.

Report on 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 2015, the Group's current liabilities exceeded current assets by RMB5,175,000. In addition, the Group incurred a net loss of approximately RMB464,497,000 for the financial year ended 31 December 2015.

As disclosed in Note 32(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 RMB450 million (Note 20) as at 31 December 2015 have been substantially depleted due to the above compensation 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 a going concern.

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 19 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 RMB20,343,000 (2014: 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 19 August 2016, the Company announced on the Singapore Exchange that the prepayment of RMB20,343,000 will be refunded 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 Financial Statements (Continued)

Basis for Disclaimer of Opinion (Continued)

6. Investment in subsidiaries and amount due from a subsidiary

In view of the compensation claims paid to the three customers as noted in our report above (point 2) and as disclosed in Note 32(a), the Company has recognised an impairment loss on investment in subsidiaries and amount due from a subsidiary amounting to RMB102,370,000 (Note 15) and RMB90,441,000 (Note 16) respectively. We are unable to assess the basis of impairment loss made by the management. Consequently, we were unable to perform any alternative audit procedures to assess the appropriateness and the quantum of the impairment loss made on the investment in subsidiaries and amount due from a subsidiary.

7. Property, plant and equipment and land use rights

As at 31 December 2015, the Group's carrying values of property, plant and equipment and land use right amounted to RMB26,055,000 and RMB2,366,000 respectively. As disclosed in Note 25 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 RMB6,703,000 and RMB2,366,000 respectively.

In reference to our Point 3 in our report 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. Consequently, 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.

Report on the Financial Statements (Continued)

Basis for Disclaimer of Opinion (Continued)

8. Trade receivables

As stated in Note 18 to the financial statements, the Group's trade receivables include balances due from the Claimants. No allowances for impairment loss of trade receivables was made in respect of the three customers which filed notices of claims against the Company as the amount due from Claimants were subsequently settled by netting off against the compensation claim made to the Claimants on 28 September 2016.

We were unable to obtain independent audit confirmations of the balances due to the Group from the Claimants as at 31 December 2015 as the Company had not allowed us to circulate the audit confirmations to the Claimants.

Accordingly, in view of the limitation of scope imposed by the Company, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the carrying amount of RMB4,477,000 due from the Claimants as at 31 December 2015 was fairly stated nor are we able to satisfy ourselves as to the validity and existence of those Claimants.

9. Inventories

As at 31 December 2015, the Group's inventories had a carrying value of RMB816,000 (Note 17). We were unable to obtain any sufficient appropriate supporting documents, information and explanations we considered necessary to ascertain if the inventories were properly carried at the lower of its cost and its net realisable value due to management imposed limitation of scope.

10. Tax provision

In view of the above matters mentioned in Basis for Disclaimer of Opinion, 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 2015.

Report on the Financial Statements (Continued)

Basis for Disclaimer of Opinion (Continued)

11. Events occurring after the reporting period

We were unable to complete all our audit procedures for our events occurring after the reporting period, which we considered necessary to satisfy ourselves on the significant matters occurring after the reporting period with respect to items recorded or unrecorded as at 31 December 2015. Accordingly, in view of the limitation of scope imposed by the Company, we were unable to determine whether all significant subsequent events have been adequately dealt with in these financial statements (see Note 32) with respect to disclosures, presentation and adjusting subsequent events.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the accompanying financial statements of the Group and the Company.

Other Matter

The financial statements of the Group and of the Company for the financial year ended 31 December 2014 were audited by another firm of auditors whose report dated 24 March 2015 expressed an unmodified audit opinion.

As indicated in the first paragraph of this report, we were engaged to conduct an audit with reference to pages 11 to 59, being the financial statements. We are not required to, and do not, take responsibility for any other information appended to the financial statements, including representations or statements made by the management and/or the Board, except to establish consistency of facts with our understanding. In particular, we had received only the Directors' Statement by the date of our audit report, and after reading it, we noted that certain of the contents in Paragraph 6 under the header, "Audit Committee" are not consistent with our understanding, and therefore may not necessarily represent our views.

RT LLP
Public Accountants and
Chartered Accountants

Singapore
20 December 2016