



**Securities Investors Association (Singapore)**

7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111

Tel: (65) 6227 2683 Fax: (65) 6220 6614

Email: [admin@sias.org.sg](mailto:admin@sias.org.sg) [www.sias.org.sg](http://www.sias.org.sg)

UEN No: S99SS0111B

GST Reg No: M90367530Y

**Issuer:** China Fibretech Ltd.

**Security:** China Fibretech Ltd.

**Meeting details:**

Date: 19 September 2018

Time: 10.00 a.m.

Venue: Chinese Swimming Club, 21 / 34 Amber Road, Singapore 439870

**Company Description**

China Fibretech Ltd., an investment holding company, provides dyeing and post-processing treatment services for cotton, polyester, and mixed knitted fabrics in the People's Republic of China. It is involved in the processing, dyeing, and finishing of fabrics; and management of properties. The company's post-processing treatment imparts special functionalities, such as water and fire-resistance, UV-protection, moisture wicking, anti-static, and antibacterial properties, as well as enables the company to produce velvet and polar fleece fabrics. It serves fabric trading companies and garment producers. The company was founded in 1995 and is based in Shishi, the People's Republic of China.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=AXL](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=AXL))

1. In the Directors' Statement (pages 23 to 25 of the annual report), the directors have stated their opinion as follows:

**Opinion of the directors**

In the opinion of the directors,

- (a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company together with the notes thereto are drawn up so as to give a true and fair view 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 then ended on that date; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

(Source: Company annual report)

The directors at the date of the report are Eric Choo Han Kiat (as executive director; appointed on 5 October 2017), Leow Yong Kin, Toh Tiong San, Toh Hai Joo (as independent directors; appointed on 5 October 2017, 23 October 2017 and 1 March 2018 respectively) and Wu Xinhua (as non-executive director).

As noted in the Corporate Governance Report, under Principle 11: Risk management and internal controls, for the financial year ended 31 December 2016, the board was unable to receive assurance from the CEO (Wu Xinhua stepped down as CEO on 23 October 2017) and the Group's Senior Finance Manager (resigned on 8 June 2017) that the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances and that the company's risk management and internal control systems are effective (page 17).

The audit committee (AC) has also disclosed in the annual report (on page 18) that, in 2016, "the independent director(s) in the AC has restricted access to and has restricted co-operation from the management and has been given restricted resources required for it to discharge its functions".

In addition, as announced on 13 June 2018, the company's independent auditors have included a disclaimer of opinion in the Independent Auditors' Report on the financial statements for the financial year ended 31 December 2016. The bases for disclaimer of opinion are (i) opening balances, (ii) compensation claims by three customers, (iii) bank confirmation, (iv) going concern, (v) prepayment of land use rights, (vi) property, plant and equipment and land use rights, (vii) inventories, (viii) tax provision and (ix) significant events during the financial year (special audit).

- (i) **Given the above, would the directors help shareholders understand the basis for their opinion that the consolidated financial statements of the group and statement of financial position and changes in equity of the company "give a true and fair view" of the company's operations and finances?**

- (ii) Would Mr Wu Xinhua, as executive chairman and CEO during the financial year ending 31 December 2016, elaborate further on the reason(s) for not giving assurance to the board that the financial records have been properly maintained and that the financial statements give a true and fair view of the company's operations and finances?**
- (iii) As directors' responsibilities include overseeing the group's financial reporting process, can the board, especially members of the AC, help shareholders understand their individual and collective efforts at discharging their responsibilities?**
- (iv) With regard to the bases for disclaimer of opinion in the Independent Auditors' report, how is the board/AC going to help management/independent auditors resolve each of the 9 bases raised in the disclaimer of opinion in the Independent Auditors' Report?**

2. As seen in the Corporate Governance Report, the board currently comprises 5 directors, 3 of whom are non-executive independent directors. Mr Choo Han Kiat, Eric is the only executive director on the board with Mr Wu Xinhua being re-designated as non-executive non-independent director after stepping down as executive chairman and Chief executive officer on 23 October 2017.

- (i) Would Mr Eric Choo Han Kiat elaborate further on his roles and responsibilities in the group as the remaining executive director on the board of directors?**
- (ii) In the director's profile (page 5), the company had not included the present principal commitments of Mr Eric Choo Han Kiat. Would the company/Mr Choo be able to update shareholders on his present principal commitments (other than being an executive director of the company)?**
- (iii) Would the company also elaborate further on the roles and responsibilities of Mr Wu Xinhua, who was re-designated as non-executive non-independent director on 23 October 2017?**
- (iv) Can the company also provide shareholders with better visibility of its key management personnel? Specifically, who has been put in charge of the day-to-day running of the dyeing and post processing treatment plant?**
- (v) Who is the legal representative of Shishi Simwa Knitting & Dyeing Co., Ltd?**
- (vi) Who has possession of the company seals such as the corporate seal (公章), legal representative seal (法人章), financial seal (财务章) and contract seal (合同章)?**

3. As disclosed in the Corporate profile (page 1), with a new board in place, the group "is charting a new course, exploring opportunities to front new drivers of growth and

intensifying efforts in pursuing investment opportunities in the region [...]”. As shown in Note 31 (page 70 & 71 – Events after the reporting period), the various steps taken by the group include:

- Memorandum of Understanding with Sichuan Dingneng Construction (Group) Co., Ltd and China Capital Investment Group to establish a strategic partnership
- Placement of 50,000,001 new ordinary shares
- Investment in Bo Dao Road Construction Co., Ltd.

In addition, as announced on 10 September 2018, the group has signed a tripartite agreement with China Railway Construction Corporation Limited-23 Bureau and Tianfu Railtech Valley to form a consortium aimed at bidding of infrastructure related projects.

- (i) Can the company explain its approach to the deal sourcing process? Has it engaged investment bankers/professional consultants/brokers to help the company in its deal sourcing efforts?**
- (ii) Would the company help shareholders understand who is leading the deal sourcing and deal structuring?**
- (iii) What is the level of commercial due diligence carried out by the group prior to any investment?**
- (iv) As the group is to diversify into infrastructure projects, what is the track record and experience of its management team/board directors in such large-scale long-gestation projects in China?**
- (v) What is the role of the independent directors in the deal sourcing, deal structuring and due diligence process?**
- (vi) In addition, what is the role played by the non-executive non-independent director, Mr Wu Xinhua, as the group sources for new viable investment opportunities?**