CHINA FIBRETECH LTD.

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

RESPONSES TO SGX-ST QUERIES ON FY2015 RESULTS ANNOUNCEMENT

The Board of Directors (the "**Board**") of China Fibretech Ltd. (the "**Company**") refers to the queries raised by the Singapore Exchange Securities Trading Limited ("SGX-ST") regarding the 2015 fourth quarter and full year results announcement of the Company on 19 July 2016, and wished to provide its response as follows:-

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1. SGX-ST'S Query

We note on page 1 that 'Other operating expenses' has decreased by 73.8% from RMB18.04 million to RMB4.723 million due to gain in disposal of Xiamen's land and properties. Please provide the following information:-

(a) Provide details of Xiamen's land and properties.

(b) Provide reasons why the Company is disposing the Xiamen's land and properties.

(c) Whether a valuation was obtained on the Xiamen's land and properties and provide details of the valuation. If no valuation is conducted, please explain why and how the price of Xiamen's land and properties is determined and whether the disposal is on arm's length.

(d) Provide details on who the Xiamen's land and properties is disposed to and whether the buyer is related to the Company's controlling shareholder, directors, substantial shareholders.

Company's response

(a) The Xiamen land includes the land (the "Land") with the land area of 62,625.6 square metres together with the properties/ buildings situated on the Land is located at No.37 Xindong Road, Xinglin District, Xiamen City, China owned by the subsidiary of the Company, Shishi Simwa Knitting & Dyeing Co., Ltd ("Shishi Simwa") as announced by the Company dated 13 September 2014.

(b) Please refer to below extraction from our announcement dated 5 August 2014:

Due to pollution issues, the usage of the Land by the Company had been changed from manufacturing to an operating lease since 2009. As no industrial activities have been carried out on the Land for a period of time, the Management believes that the local authorities or government would mandatorily acquire the Land for its further development. The management is of the view that the government acquisition is likely to be imminent based on recent contact with government officials, (unofficial) indications and information from the tenants of the building on the Land who have moved out.

That management considered that developing the Land for residential or commercial use by the group or by joint venture is not a viable option as the group has no experience in property development. There are huge costs involved in developing the land from industrial usage to residential or commercial usage and uncertainty in the level of return for such land development.

The valuation of the Land, including the property and equipment, is RMB 47,442,000 (the "Current Market Value"), based on a valuation report dated 26 May 2014, issued by an independent valuer, Xiamen Xinheng Appraisal Consultant Co., Ltd. (the "Valuation Report") commissioned by the Seller.

The management expects that the local government will acquire the land at a price lower than the Current Market Value, estimated to be no more than RMB 30,000,000, based on the value of land used for industrial purposes.

The management and the Board is of the view that it is in the best interest of the Company to sell the Land to a third party rather than to allow the mandatory acquisition of the Land by the local government, and that the Disposal of Land will enable the Group to avert the risk of the Land being acquired at below the Current Market Value as well as to realise an immediate gain from the Disposal of Land.

(c) Please refer to below extraction from our announcement dated 13 September 2014.

The Current Market Value of RMB47,442,000 is assessed based on the combined value of the Land and Property for which no separate assessment on the valuation was carried out on the Land alone, as the properties/ buildings are valued together with the land on which they are situated, details of which are set out as follows:

Properties/ Buildings		**Use**	**Year** (Acquired)	**Age** (Years)	**Built up area** (M^2)	**Market Value per M^2** (RMB)	**Total Market Value** (RMB '00000)
Main building	主厂房	Industrial	1987	27	13,799.64	1,790	2,470.14
Complex building	综合楼	Industrial	1987	27	3,122.44	1,831	571.72
Sewage treatment station	污水处理站	Industrial	1987	27	460.23	1,607	73.96
Warehouse	综合仓库	Industrial	1987	27	4,912.20	1,709	839.49
Maintenance workshop	机修车间	Industrial	1987	27	686.11	1,750	120.07
Carpark garage	汽车库	Industrial	1987	27	450.09	1,539	69.27
Slivering workshop	制条车间	Industrial	1989	25	3,149.09	1,750	551.09
Cold storage station	冷冻站	Industrial	1987	27	314.88	1,539	48.46
				Total	**26,894.68**		**4,744.20**

(d) The buyer, Xiamen Shende Property Management Co., Ltd (厦门深德资产管理有限公司), is an asset management and property development company in China, with a paid up capital of RMB30,000,000. The buyer is not related to the Company's controlling shareholder, directors, substantial shareholders.

2. SGX-ST'S Query

We note on page 3 that 'Prepayments and other receivables' has decreased from RMB22.486 million to RMB20.687 million. Please provide the following information:-

(a) Provide breakdown of prepayments and other receivables, the nature of the underlying transactions

(b) Provide details of the agreement which resulted in any deposits/prepayments/advances

(c) Provide aging schedule of the amounts

Company's response

(a) Please refer to below breakdown of prepayments and other receivables:

Nature	Balance as at 31 Dec 2015 (RMB'000)	Balance as at 31 Dec 2014 (RMB'000)
Prepayments made to Shishi Land Bureau (石狮市国土资源局) for acquisition the land use rights of a piece of land	20,343	20,343
Prepayment made to an equipment supplier for the installation and reconstruction of a boiler system	-	2,000
Prepayment of Bermuda annual government fee	119	143
Accured interest income from fixed deposits	225	-
Total	20,687	22,486

(b) Please refer to below details:

Nature	Date of agreement	Details
Prepayments made to Land Bureau of Shishi Municipal Government (石狮市国土资源局) for acquisition the land use rights of a piece of land	22 April 2008	The land use rights for a piece of land measuring 16,235 square metres located at 石狮市洪山镇伍堡污控区
Prepayment made to an equipment supplier for the installation and reconstruction of a boiler system	15 October 2014	Installation and reconstruction of a boiler system due to tightening pollution control by local government

3. SGX-ST'S Query

We note on page 3 that 'Trade receivables' has decreased from RMB14.188 million to RMB10.698 million due to provision of doubtful debts amounting to RMB4.5 million in 4Q2014. Please provide the following information:-

(a) Provide breakdown of 'Trade receivables'

(b) Provide details on the underlying sales, when the sales were made, the amount, aging, outstanding since when.

(c) Provide details on the name, type of customers and whether they are major customers and whether they are still the Company's customers.

(d) How much of the Company's sales in 2014 and 2015 were from these customers.

(e) Reasons why these customers are unable to pay

(f) Provide details on how the Company has tried all ways of collecting trade receivables and in what ways.

Company's response

(a) Please refer to below breakdown of trade receivables:

Trade receivables	Balance (RMB'000)	0-30 days (RMB'000)	30-60 days (RMB'000)	60-90 days (RMB'000)	90-120 days (RMB'000)
As at 31 December 2015					
Per general ledger	15,175	5,716	6,682	1,140	1,637
Less: Provision of doubtful debts	(4,477)	-	(1,700)	(1,140)	(1,637)
Net balance as at 31 December 2015	10,698	5,716	4,982	-	-
As at 31 December 2014	14,187	7,326	6,861	-	-

Please refer to below breakdown of trade receivables:

Claimants	Balance as at 31 Dec 2015 (RMB)	0-30 days (RMB)	30-60 days (RMB)	60-90 days (RMB)	90-120 days (RMB)
晋江市滨浪制衣织造有限公司	838,441.45	-	438,496.86	243,281.07	156,663.52
石狮市爱利奴服饰有限公司	2,314,997.45	-	642,874.97	683,471.04	988,651.44
石狮市金太屋纺织服饰有限公司	1,323,294.02	-	618,438.33	213,400.89	491,454.80
Total	4,476,732.92	-	1,699,810.16	1,140,153	1,636,769.70

(b) Please refer to below detail:

Claimants	Date of sale invoice	Product processed	Quantity (KG)	Amount (RMB)
晋江市滨浪制衣织造有限公司	30/9/2015	Polyester, spandex	19,858.65	156,890.99
晋江市滨浪制衣织造有限公司	31/10/2015	Polyester, spandex	37,084.46	243,281.07
晋江市滨浪制衣织造有限公司	30/11/2015	Polyester, spandex	46,236.09	438,496.86
Overpayment of previous outstanding balances *				(227.47)
Total				838,441.45

Claimants	Date of sale invoice 销售发票日期	Product processed 加工产品	Quantity (KG) 数量(公斤)	Amount (RMB) 金额(RMB)
石狮市爱利奴服饰有限公司	30/9/2015	Cotton, spandex	98,967.40	989,303.02
石狮市爱利奴服饰有限公司	31/10/2015	Cotton, spandex	69,305.83	683,471.04
石狮市爱利奴服饰有限公司	30/11/2015	Cotton, spandex	62,678.90	642,874.97
Overpayment of previous outstanding balances *				(651.58)
Total				2,314,997.45

Claimants	Date of sale invoice 销售发票日期	Product processed 加工产品	Quantity (KG) 数量(公斤)	Amount (RMB) 金额(RMB)
石狮市金太屋纺织服饰有限公司	30/9/2015	Polyester, spandex	57,468.27	491,470.68
石狮市金太屋纺织服饰有限公司	31/10/2015	Polyester, spandex	28,453.45	213,400.89
石狮市金太屋纺织服饰有限公司	30/11/2015	Polyester, spandex	82,458.44	618,438.33
Overpayment of previous outstanding balances *				(15.88)
Total				1,323,294.02

* Please be noted that our customers generally make lump sum payment, which is closed to the individual sale invoice amount, to settle the outstanding receivables instead of settling the exact the amount of sales invoices.

(c) Please refer to below details of customers of trade receivable as at 31 December 2015:

Customers	Type of customers	Major Customers
晋江市滨浪制衣织造有限公司	Normal	Normal
石狮市爱利奴服饰有限公司	Normal	Normal
石狮市金太屋纺织服饰有限公司	Normal	Normal

(d) Please refer to below sales made to the three Claimants in 2014 and 2015:

Claimants	FY2014		FY2015	
	Sales (RMB)	Quantity (KG)	Sales (RMB)	Quantity (KG)
晋江市滨浪制衣织造有限公司	3,183,123.74	409,595.33	3,554,223.44	578,173.31
石狮市爱利奴服饰有限公司	3,005,071.39	429,283.11	5,393,052.20	656,020.40
石狮市金太屋纺织服饰有限公司	2,123,315.19	230,490.40	3,044,353.86	445,431.61
Total	8,311,510.32	1,069,368.84	11,991,629.80	1,679,625.32

(e) Since the notification of alleged claims from these customers on 25 November 2015 and 26 November 2015, these 3 customers have refused to make any payments of the outstanding receivables owing to Shishi Simwa. All trade receivables are within the credit term of 60 days as at 31 December 2015 except for trade receivables from three claimants in relation to the alleged claims from three claimants as announced on 30 November 2015.

(f) The Company has agreed with the three claimants to conduct investigation in relation to the alleged claims from three claimants. Upon the completion of investigation, further discussion with the held between the Company and the Claimants on the settlement of outstanding trade receivables.

4. SGX-ST'S Query

We note on page 14 the Company's statement that 'Based on the result obtained in 9M2015, the Group's experience with our order books on hand, the Group expects a challenging 2016 for its dying business. Please provide details of the Company's order books.

Company's response

Please refer to below quantity processed for our sales orders in FY2015 and FY2016:

Quarter	FY2015	FY2016
	Quantity (KG'000)	Quantity (KG'000)
1Q	1,340	747
2Q	2,416	949
3Q	2,283	-
4Q	2,104	-
Total	8,143	1,696

Due to the uncertainties surrounding these claims, trading of the Company shares will be suspended until further notice to ensure a fair, orderly and transparent market.

The Company will keep shareholders informed of the outcome and the Board will release further announcements as and when there are any developments on the above.

BY ORDER OF THE BOARD

Wu Xinhua
Executive Chairman and CEO
22 July 2016