



CHINA FIBRETECH LTD.

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

RESPONSES TO QUERIES FROM SGX-ST

The Board of Directors (the “**Board**”) of China Fibretech Ltd. (the “**Company**”) and together with its subsidiaries (the “**Group**”) would like to provide the following information in response to queries from the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) in respect of the information provided in Annual Report FY2015 announced on 13th November 2017 and relevant responses on 27th November 2017.

Query 1 of the SGX-ST

It was disclosed in the Company’s Response to Query 2 that “The directors have not signed up any course but will do so depending on their availability”.

- a. Please explain why the Company does not think it is important that its newly appointed directors undertake any training to familiarize themselves with the rules and regulations that are associated with the responsibilities of being appointed as directors of the Company.
- b. Please disclose the training that each of the new directors will attend, and the date(s) of “their availability”.

The Company’s Response:

- a. The Company always believe that knowledge and skills upgrading is necessary for all directors to discharge any duties assign. As directors have pre-arranged commitments, they are unable to attend any training as early as they like. The Company plan to arrange the directors for relevant training in January 2018.
- b. The Company has identified and will be arranging new directors to attend the program “Listed Company Directors Essentials” organised by Singapore Institute of Directors on 24 Jan 2018.

Query 2 of the SGX-ST

In view of the internal auditor’s findings of inadequacy and the external auditors’ disclosure in their audit opinion that they were unable to obtain the relevant supporting documents for numerous processes including inventories, please disclose the details of the observations of the internal auditor on the two matters mentioned in the Company’s Response to Query 8.

The Company’s Response:

Below are observations from Internal Auditors with regards to:

- a. **Control over goods on consignment should be improved.**

Observations:-



CHINA FIBRETECH LTD.

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

- i. Upon receiving the fabrics, the storeman will raise the Goods Received Note ("GRN") in the ERP system based on actual quantities received. (The GRN is in the separate module of inventory in the ERP system). The GRN is then acknowledged by the delivery personnel.

However, customers do not issue any delivery notes. There is also no confirmation with customers for actual quantities of fabrics received.

- ii. The following Goods Issuance Notes ("GIN") were not affixed with the customers' company stamp, although the documents were acknowledged by the recipient (outsourced delivery personnel). We were informed that Customer Service confirmed with the customers on a verbal basis.
- iii. Reconciliation between quantity of fabrics received from customers and finished goods issued was not performed to ensure the completeness of sales transactions.

b. Adequacy of insurance coverage over inventory and consignment goods should be reviewed.

Observations:-

- i. Stocks on hand were underinsured for our period of review. Ending balances for inventory as of August 2015 was RMB 742,094.

However, the sum insured was only RMB 500,000. We were unable to sight any documented review performed on the adequacy of insurance coverage over inventory.

- ii. We understand from the Finance Manager that sum insured for goods on consignment are based on the estimated market value. The total sum insured for fabrics and finished goods was RMB 3,900,000.

Query 3 of the SGX-ST

It was disclosed in the Company's Response to Query 9 that "The Company's subsidiary has resumed its production on 1st week of August 2017".

- a. Please provide further details on the resumption of production, including the production capacity and utilisation rate.
- b. Please explain why this information was not disclosed in the Annual Report 2015, which instead stated that "The operation of the Subsidiary (Shishi Simwa Knitting & Dyeing Co., Ltd) will be resumed upon compliance of relevant regulations by Haitian. Management is closely monitoring the status of Haitian and the Board will release further announcements as and when there are any developments on the above."



CHINA FIBRETECH LTD.

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

The Company's Response:

- a. The factory has fully restored all its production lines and total production capacity is 18,000 tonnes. Current utilisation is estimated to be at 20%. The reason for such low utilisation rate was due to reducing order secured in view of poor economic outlook and stiffer competition.
- b. The reason being that the director was only available and physically presence there on 21st November 2017 to ensure that production has indeed been resumed while the Annual Report has already printed and circulated on 13th November 2017.

By Order of the Board

Choo Han Kiat, Eric
Executive Director
4 December 2017