CHINA FIBRETECH LTD.

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

RESPONSES TO SGX-ST QUERIES ON FY2016 FIRST QUARTER 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 2016 first quarter results announcement of the Company on 19 July 2016, and wished to provide its response as follows:-

1. SGX-ST'S Query

We note on page 2 that 'Property, plant and equipment' has increased by 15.4% from RMB26.055 million to RMB30.077 million due to acquisition of property, plant and equipment with new technology in order to widen customer base and depreciation charge. Please provide the following information:-

(a) Why is the Company acquiring Property, Plant and Equipment when revenue is declining.

(b) Provide breakdown of these Property, Plant and Equipment acquired and the capacity increase arising from such acquisition

(c) What is current capacity utilization of the Company's plants and machineries.

Company's response

(a) The technology of the newly acquired machinery can improve the quality of our dyeing and post-processing treatment service so as to increase our competitiveness in order to attract more customers.

(b) Please refer to below details.

Item	Cost (RMB)
自动退捻开幅洗毛轧水联合机	4,787,008.55

There is no change in our capacity arising from such acquisition as the newly acquired machinery is used for improving the quality in our dyeing and post-processing.

(c) Please refer to below details:

Description	Tonnes
Maximum Monthly Capacity	5,206

Month	Utilisation rate
January 2016	9.19%
February 2016	- *
March 2016 2016 年三月	5.16%
Average	4.78%

* Please be noted that no production in the month of February 2016.

2. SGX-ST'S Query

We note on page 3 that 'Prepayments and other receivables' has decreased from RMB20.687 million to RMB20.444 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 Mar 2016 (RMB'000)	Balance as at 31 Dec 2015 (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 of Bermuda annual government fee	90	119
Accured interest income from fixed deposits	-	225
Miscellaneous	11	-
Total	20,444	20,687

(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

3. SGX-ST'S Query

We note on page 9 that 'Revenue' has decreased by 45.7% from RMB10.4 million to RMB5.6 million due to decrease in the fabric processed as a result of lower demand from customers in 1Q2016. Please provide the reasons for the lower demand from customers in 1Q2016.

Company's response

The Company is of the view that the decrease in demand from our customers was due to lower demand from end users as a result of slowdown in the PRC market and the subdued global economy.

4. SGX-ST'S Query

We note on page 9 that the Company's gross profit margin has decreased by 14.1% from RMB1.6 million to RMB0.8 million and the decrease in gross profit and gross profit margin is mainly due to lower utilization rate of the Company's plant and machinery as a result of lower demand from customers. Please quantify to explain how this impacted gross profit margins.

Company's response

The Company would like to clarify that the decrease in gross profit margin is mainly due to decrease in average fabric processing fee from RMB7,737 per tonne in 1QFY2015 to RMB7,529 per tonne in 1QFY2016 while offsetting against the impact from the decrease in cost of sales per tonne from RMB6,517 per tonne in 1QFY2015 to RMB6,466 per tonne in 1QFY2016.

Month	FY2016 1Q (RMB'000)	FY2015 1Q (RMB'000)	% of change	Note
Average processing fee per tonnes	7,529	7,737	(2.7%)	1
Cost of sales per tonnes	6,466	6,517	(0.8%)	

Note 1: Changes in product mix had contributed to lower average processing fees due to lower proportion of polyester and spandex processed during the period which commands a lower processing fee.

5. SGX-ST'S Query

We note on page 11 the statement that "Trade receivables are within the credit term of 60 days as at 31 March 2016 except for trade receivables from three claimants in relation to the claims by customers as announced on 30 November 2015. Please quantify amount owing and to explain why the management is of the view that no provision is required for debts owing by these claimants.

Company's response

Please refer to below breakdown of trade receivables:

Claimants	Balance as at 31 March 2016 (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
Less: provision of doubtful debts	(4,476,732.92)	-	(1,699,810.16)	(1,140,153)	(1,636,769.70)
Net balance	-	-	-	-	-

The provision of doubtful debts amounting to RMB4,477,000 was recorded in the financial year ended 31 December 2015 ("FY2015") for trade receivables owing by three claimants in relation to the claims by customers as announced on 30 November 2015. Please refer to our FY2015 full year result announcement as announced on 19 July 2016. The said provision of doubtful debts has been carried forward from FY2015 and remained in trade receivables as at 31 March 2016.

6. SGX-ST'S Query

We note on page 13 that S$12.301 million of IPO proceeds were used to construct new facilities and acquire new machinery. Please provide details and further breakdown on this.

Company's response

Please refer to below breakdown of IPO proceeds used to construct new facilities and acquire new machinery:

Financial year	Description	RMB	Exchange rate	SGD
2008	设计费	1,400,000	5.03	278,330
2008	勘察费	35,000	5.03	6,958
2008	建筑工程费	10,000,000	5.03	1,988,072
2008	管桩	744,000	5.03	147,913
2008	锅炉	2,150,000	5.03	427,435
2009	锅炉	1,000,000	5.03	198,807
2008	变压器	1,248,337	5.03	248,178
2009	摇粒机	3,600,000	4.82	746,888
2009	无张力验布机	800,000	4.82	165,975
2009	新智能试色机	130,000	4.82	26,971
2009	剪毛机	1,075,000	4.82	223,029
2010	无张力验布机	1,367,521	4.85	281,963
2010	剪毛机	918,803	4.85	189,444
2010	磁悬浮验布机	260,684	4.85	53,749
2010	呢毯定型机	1,068,376	4.85	220,284
2010	均匀加湿机	2,461,538	4.85	507,534
2010	高温小样机	85,470	4.85	17,623
2010	常温小样机	136,752	4.85	28,196
2010	小样压水机	51,282	4.85	10,574
2010	自动母夜泡制机	1,014,530	4.85	209,181
2010	高速缝边机	2,324,786	4.85	479,337
2010	烘干机	3,025,641	5.07	596,773
2010	呢毯定型机	1,068,376	5.07	210,725
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2010	超喂预缩机	192,308	5.07	37,931
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2010	扩幅机	239,316	5.07	47,202
2010	高温中样机	478,632	5.07	94,405
2010	常温机1600	1,128,205	5.07	222,526
2010	常温机1600	1,128,205	5.07	222,526
2010	常温机1200	841,880	5.07	166,051
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2010	常温机800	598,291	5.07	118,006
2010	压痕除皱机	830,769	5.07	163,860
2010	摇粒机	4,102,564	5.07	809,184
2010	常温中样机150	111,111	5.07	21,915

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2010	常温中样机100	76,923	5.07	15,172
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2011	热定型机	470,085	5.09	92,355
2010	Refund from contractor	(3,000,000)	4.87	(616,016)
2011	Refund from contractor	(309,301)	5.12	(60,410)
2015	蒸汽管道安装改造工程	10,000,000	4.57	2,189,000
2016	自动退捻开幅洗毛轧水联合机	4,787,009	4.78	1,001,466
	Total	60,240,383		12,301,594

Use of IPO proceeds	**Amount allocated S$'000**	**Amount utilized S$'000**	**Balance S$'000**
To construct new facilities and acquire new machinery	14,000	12,301	1,699

Due to the uncertainties surrounding the claims from three claimants, 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
26 July 2016