CHINA FIBRETECH LTD.

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

UPDATE OF CLAIM BY CUSTOMERS

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 update of claim (the "Claims") by customers (the "**Claimants**") on 19 July 2016, and wished to provide its response as follows:-

1. SGX-ST'S Query

Which financial year do the sales which are the subject of the claims relate to.

Company's response

The sales related to the Claims were made to the claimants in the financial year 2014 and 2015.

2. SGX-ST'S Query

We note that the Company's revenue for FY2015 amounted to only RMB64.3 million but the claims amount to RMB466 million. In this respect, please provide the following information:-

(a) Provide details on the quantity and amount of sales made to these 3 customers.

(b) Provide aging analysis of any debts owing by each of the 3 customers.

Company's response

(a) Please refer to below details for the quantity and amount of sales made to these 3 customers in relation to the Claims:

Claimants	Sales (RMB)	Quantity (KG)
晋江市滨浪制衣织造有限公司	1,795,827.24	196,563.64
石狮市爱利奴服饰有限公司	1,030,450.30	126,701.35
石狮市金太屋纺织服饰有限公司	1,221,277.29	122,850.00
Total	4,047,554.83	446,114.99

(b) Please refer to below aging analysis of debts owing by each of the 3 customers:

Claimants	Balance as at 21 July 2016 (RMB)	0-30 days (RMB)	30-60 days (RMB)	60-90 days (RMB)	90-120 days (RMB)	more than 120 days (RMB)
晋江市滨浪制衣织造有限公司	838,441.45	-	-	-	-	838,441.45
石狮市爱利奴服饰有限公司	2,314,997.45	-	-	-	-	2,314,997.45
石狮市金太屋纺织服饰有限公司	1,323,294.02	-	-	-	-	1,323,294.02
Total	4,476,732.92	-	-	-	-	4,476,732.92

3. SGX-ST'S Query

In view that total sales in FY2015 amount to only RMB64.3 million, why do the claims amount to RMB466 million?

Company's response

The subsidiary of the Company, Shishi Simwa Knitting & Dyeing Co., Ltd ("Shishi Simwa") is principally engaged in the provision of dyeing and post-processing treatment services for for cotton, polyester (including spandex) and mixed knitted fabrics. Therefore, sales recorded in our books are processing fee only. According to the notices received from the Claimants dated on 25 November 2015 and 26 November 2015, it is noted from notices issued by Claimants that Claimants have suffered substantial damages and financial losses due to the products processed by the Shishi Simwa not meeting the specified requirements, resulting in de-colouring in their end-products. According to the notices received from the Claimants dated 18 July 2016, the alleged claims amount is based on the costs of their end-products.

4. SGX-ST'S Query

To provide the names of the 3 customers and the size of their operations based on the Company's due diligence of these customers that they deal with. To provide details of the business of these customers and what products do they deal in.

Company's response

The size of their operations is deemed as medium. Please refer to below details of the 3 customers:

Customers	Location	Principal activities
晋江市滨浪制衣织造有限公司	Jinjiang, Quanzhou, Fujian Province, China	Manufacturing high-quality knitted fabrics and ready-to-wear garments.
石狮市爱利奴服饰有限公司	Shishi, Quanzhou, Fujian Province, China	Garments Manufacturing
石狮市金太屋纺织服饰有限公司	Shishi, Quanzhou, Fujian Province, China	Garments Manufacturing

5. SGX-ST'S Query

What is the basis for the amount of RMB466 million and how did the customers come up with this amount?

Company's response

According to the notices received from the Claimants dated 18 July 2016, the alleged claims amount is based on the costs of their end-products.

6. SGX-ST'S Query

Are the 3 customers related? Who are the shareholders and directors of the 3 customers respectively. If the 3 customers are not related, why were the claims submitted to the Company on the same day?

Company's response

晋江市滨浪制衣织造有限公司 and 石狮市金太屋纺织服饰有限公司 were engaged by 石狮市爱利奴服饰有限公司 for commission processing of its apparels. So the alleged de-colouring fabrics are used in the manufacturing of 石狮市爱利奴服饰有限公司's finished goods. Therefore, the Company is of the view that it may be the reason of notices issued by the Claimants on the same day.

7. SGX-ST'S Query

When was the date of the claims and were the claims made in writing.

Company's response

The Company had received further written notices from three customers on 18 July 2016 as announced by the Company on 19 July 2016.

8. SGX-ST'S Query

Which lawyer does the company intend to appoint and what is the track record of this lawyer? Will the lawyer be asked to defend the Company's position against the significant claims in a court of law? If not, please justify why not in view of the unreasonable size of the claims in comparison to the size of the sales;

Company's response

The Company has been in communication with relevant law firms, and will engage a reputable law firm to handle the claims in the near future.

9. SGX-ST'S Query

What steps will the company be undertaking to verify the claims. To provide an update on the investigations carried out so far by the management of the company since the claims were disclosed in the Company's announcement on 30 November 2015 ;

Company's response

Since the claims were disclosed in the Company's announcement on 30 November 2015, representatives from the Company were sent to Claimant's factories to view and inspect the alleged products. With the presence of and consent from both the Company and the Claimants, samples were extracted and sent to independent third parties for testing in March 2016. According result reports issued by independent third parties released in May 2016, it is noted that the colour fastness was failed to meet the required standard from the extracted samples.

10. SGX-ST'S Query

What steps will the company be taking to safeguard the company's assets and liabilities against the significant claims.

Company's response

The Company will take necessary actions to safeguard the company's assets and liabilities, and protect the interests of shareholders and the company against the significant claims.

11. SGX-ST'S Query

Please provide disclosure of how the cash in the Company is safeguarded and will not be paid;

Company's response

There is no indication that the Company's cash is at risk at this point in time. Due to the uncertainty of the Claims' outcome, the Company will not make any payments in relation to the Claims at this point in time.

12. SGX-ST'S Query

In view of the significant amount of the customer claims, will shareholders' approval be obtained prior to any payments of the claims? If not, please confirm that the directors would defend the Company's position in a court of law against the claimants to safeguard the interest of shareholders and the company.

Company's response

The company will consider taking legal means to protect the interests of shareholders and the Company.

13. SGX-ST'S Query

Please provide the confirmation that the Company will not settle the compensation claims by 31 July 2016 as requested by the Claimants as the Management will be engaging a reputable law firm to handle the claim and establish the facts surrounding their allegation and take steps to verify the claims.

Company's response

Since the outcome of the Claim is still uncertain, the Company will not make any payments in relation to the Claims by 31 July, 2016, and will engage a reputable law firm to handle the Claims.

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
21 July 2016