CHINA FIBRETECH LTD.

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

RESPONSES TO SGX-ST QUERIES ON FY2016 SECOND QUARTER AND SIX MONTHS 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 second quarter and six months results announcement of the Company on 15 August 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 12.4% from RMB26.055 million to RMB29,283 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 acquisition of new 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	5.16%
April 2016	6.56%
May 2016	5.18%
June 2016	7.30%
Average	5.57%

* 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 RMB20.403 million. Please provide the following information:-

(a) Provide breakdown, aging schedule and explain why amount remains significant despite the fall in revenue of 61.2% to RMB7.286 million.

(b) Disclose the nature of the underlying transactions for the significant prepayment and/or other receivables and provide details of the transactions.

Company's response

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

Nature	Balance as at 30 Jun 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	60	119
Accured interest income from fixed deposits	-	225
Total	20,403	20,687

There is no prepayments made to supplier as at 31 December 2015 and 30 June 2016. Hence, the balance of prepayment and other receivables remains despite the fall in revenue of 61.2% to RMB7.286 million.

(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 61.2% from RMB18.758 million to RMB7.286 million due to decrease in the fabric processed as a result of lower demand from customers in 2Q2016. 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 11 the statement that "Acquisition of property, plant and equipment with new technology in order to widen our customer base, by RMB4.8 million made during the period". Please elaborate how this is possible to widen customer base.

Company's response

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.

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 30 June 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 owing to three claimants:

Claimants	Balance as at 30 June 2016 (RMB)
晋江市滨浪制衣织造有限公司	838,441.45
石狮市爱利奴服饰有限公司	2,314,997.45
石狮市金太屋纺织服饰有限公司	1,323,294.02
Total	4,476,732.92
Less: provision of doubtful debts	(4,476,732.92)
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 30 June 2016.

6. SGX-ST'S Query

We note on page 11 the fixed deposits totaling of RMB200 million with RMB100 million each matured on 1 May 2016 and 30 June 2016 and no rollover of fixed deposits has been made subsequently. Please explain why no rollover of the fixed deposits subsequently and to explain the Directors' view why is this in the best interest of the Company and shareholders.

Company's response

The Company will consider the re-placement of fixed deposits in the coming future.

Due to the uncertainties surrounding the claims from three claimants, trading of the Company shares will continue to 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
19 August 2016