CHINA FIBRETECH LTD.

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

SECOND QUARTER AND HALF YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2018

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a)(i) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated statement of comprehensive income for the Group

The Group	2Q 30 June			1H 30 June		
	2018	2017	Change	2018	2017	Change
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	%	RMB'000 (Unaudited)	RMB'000 (Unaudited)	%
Revenue	3,866	6,389	-39.5%	6,216	16,180	-61.5%
Cost of sales	(3,773)	(6,308)	-40.2%	(6,131)	(13,846)	-55.7%
Gross profit	93	580	-84.0%	85	2,334	-96.4%
Other income	-	-	n.m*	-	-	n.m*
Selling and distribution expenses	(93)	(286)	-67.5%	(232)	(631)	-63.2%
Administrative expenses	(1,572)	(801)	96.3%	(3,238)	(1,697)	90.8%
Other operating expenses	-	(8)	n.m*	-	(614)	n.m*
Finance cost	(215)	(219)	-1.8%	(442)	(481)	-8.1%
Loss before taxation	(1,787)	(733)	56.2%	(3,827)	(1,089)	251.4%
Income tax expense	-	-	n.m*	-	-	n.m*
Loss for the period	(1,787)	(733)	56.2%	(3,827)	(1,089)	251.4%
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the period	(1,787)	(733)	56.2%	(3,827)	(1,089)	251.4%

***N.M: Not meaningful**

1(a)(ii) Other information

The Group's (loss)/profit before taxation is arrived at after charging/(crediting):

	2Q 30 June		1H 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Amortisation of land use rights	16	16	31	31
Depreciation of property, plant and equipment	794	794	1,588	1,559

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

Statements of financial position

	The Group		The Company	
	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Unaudited) RMB'000	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Unaudited) RMB'000
Assets and Liabilities				
Non-current assets				
Property, plant and equipment	22,930	24,518	-	-
Land use rights	2,213	2,244	-	-
Investment in subsidiaries	-	-	-	-
Due from subsidiary	-	-	-	-
	25,143	26,762	-	-
Current assets				
Inventories	628	566	-	-
Trade receivables	6,389	6,507	-	-
Prepayment and other receivables	4,560	4,560	-	-
Due from a subsidiary	-	-	4,796	4,796
Cash and bank balances	117	112	5	5
	11,694	11,745	4,801	4,801
Current liabilities				
Trade payables	1,235	855	-	-
Accrued liabilities and other payables	10,007	8,230	6,269	4,492
Interest-bearing bank borrowings	12,900	12,900	-	-
Income tax payable	-	-	-	-
Amount due to subsidiary	-	-	4,896	4,896
	24,142	21,985	11,165	9,388
Net current assets	(12,448)	(10,240)	(6,364)	(4,587)
Net assets	**12,695**	**16,522**	**(6,364)**	**(4,587)**
Equity				
Share capital	135,773	135,773	135,773	135,773
Reserves	(123,078)	(119,251)	(142,137)	(140,360)
Total equity	**12,695**	**16,522**	**(6,364)**	**(4,587)**

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 30 June 2018		As at 31 December 2017	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
12,900	-	12,900	-

Amount repayable after one year

As at 30 June 2018		As at 31 December 2017	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
-	-	-	-

Details of any collateral

The Group's bank loans were secured by certain of the Group's leasehold buildings with an aggregate carrying value of approximately RMB5,289,000 as at 30 June 2018 (31 December 2017: RMB5,615,000), land use rights with an aggregate carrying value of approximately RMB2,213,000 as at 30 June 2018 (31 December 2017: RMB2,244,000).

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated statement of cash flows for the Group

	Half year ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Cash flows from operating activities		
(Loss)/profit before taxation	(3,827)	(1,089)
Adjustments for :		
Amortisation of land use rights	31	31
Depreciation of property, plant and equipment	1,588	1,588
Gain on disposal of property, plant and equipment	-	-
Interest income	-	-
Interest expenses	-	-
Operating (loss)/profit before working capital changes	(2,208)	530
Decrease/(increase) in inventories	(62)	77
Decrease/(increase) in trade receivables	118	(1,622)
Decrease in prepayments and other receivables	-	-
(Decrease)/increase in trade payables	380	1,533
Increase/(decrease) in accrued liabilities and other payables	1,777	(545)
Cash generated from operations	5	(27)
Interest received	-	-
Interest paid	-	-
Income tax paid	-	-
Net cash generated from/(used in) operating activities	**5**	**(27)**
Cash flows from investing activities		
Acquisition of property, plant and equipment	-	-
Proceeds received from disposal of property, plant and equipment	-	-
Net cash used in investing activities	**-**	**-**
Cash flows from financing activities		
Bank loan obtained	-	-
Repayment of bank loans	-	-
Net cash used in investing activities	**-**	**-**
Net increase/(decrease) in cash and cash equivalents	**5**	**(27)**
Cash and cash equivalents at 1 January	112	660
Cash and cash equivalents at 30 June	**117**	**663**

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statement of changes in equity for the Group

The Group	<---------- Attributable to equity holders of the Company ---------->								
	Share capital	Treasury shares	Share premium	Share-based payment reserve	Capital reserve	Statutory reserve	Merger reserve	Retained profits	Total Equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2017	135,773	(35)	79,908	-	4,403	15,000	(102,287)	(113,103)	19,659
Total comprehensive profit for the period	-	-	-	-	-	-	-	(1,089)	(1,089)
Balance at 30 June 2017 (Unaudited)	**135,773**	**(35)**	**79,908**	**-**	**4,403**	**15,000**	**(102,287)**	**(114,192)**	**18,570**
Balance as at 1 January 2018	135,773	(35)	79,908	-	4,403	15,000	(102,287)	(116,240)	16,522
Total comprehensive loss for the period	-	-	-	-	-	-	-	(3,827)	(3,827)
Balance at 30 June 2018 (Unaudited)	**135,773**	**(35)**	**79,908**	**-**	**4,403**	**15,000**	**(102,287)**	**(120,067)**	**12,695**

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statement of changes in equity for the Company

The Company	Share capital	Treasury share	Share premium	Share-based payment reserve	Accumulated losses	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2017	135,773	(35)	79,908	-	(218,840)	(3,194)
Total comprehensive loss for the period	-	-	-	-	(584)	(584)
Balance at 30 June 2017 (Unaudited)	**135,773**	**(35)**	**79,908**	**-**	**(219,424)**	**(3,778)**
Balance as at 1 January 2018	135,773	(35)	79,908	-	(220,233)	(4,587)
Total comprehensive loss for the period	-	-	-	-	(1,777)	(1,777)
Balance at 30 June 2018 (Unaudited)	**135,773**	**(35)**	**79,908**	**-**	**(222,010)**	**(6,364)**

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There are no changes in the issued and paid-up share capital of the Company since 31 December 2017.

There were no convertible shares issued by the Company as at 30 June 2018.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	As at 30 June 2018	As at 31 December 2017
Number of ordinary shares in issue	8,979,791	8,979,791
Less: Ordinary shares kept as treasury shares	(4,000)	(4,000)
Number of ordinary shares excluding treasury shares	8,975,791	8,975,791

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

There is no sales, transfers, disposal, cancellation and / or use of treasury shares by the Company as at 30 June 2018.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has adopted all the new or revised Singapore Financial Reporting Standards ("FRS") and Interpretations to FRS ("INT FRS") that are mandatory for financial years beginning on or after 1 January 2017.

The accounting policies and methods of computation are consistent with the latest audited financial statements for the year ended 31 December 2016.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group has adopted all new and revised Financial Reporting Standards (FRS) and Interpretations of FRS (INT FRS) that are relevant to its operations and effective for annual periods beginning on or after 1 January 2017. The adoption of these new/revised FRS and INT FRS does not result in substantial change to the Group's and Company's accounting policies or have any significant impact on the financial statements.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

Basic and Diluted Loss Per Share

	3 months ended 30 June		6 months ended 30 June	
	2018	2017	2018	2017
Loss attributable to equity holders of the Company (RMB'000)	1,787	733	3,827	1,089
Basic				
Weighted average number of ordinary shares in issue ('000)	8,976	8,976	8,976	8,976
Loss per share (RMB)	0.20	0.08	0.43	0.12
Diluted				
Weighted average number of ordinary shares in issue ('000)	8,976	8,976	8,976	8,976
Loss per share (RMB)	0.20	0.08	0.43	0.12

The effect of dilutive potential ordinary shares to be awarded under the employee's performance share plan is included in the calculation of diluted earnings per share.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-

(a) current financial period reported on; and
(b) immediately preceding financial year.

	The Group		The Company	
	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Unaudited)	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Unaudited)
Net asset value per ordinary share (RMB)	1.41	1.84	(0.71)	(0.51)
Number of issued ordinary shares excluding treasury share as at end of the period	8,975,791	8,975,791	8,975,791	8,975,791

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Review of Financial Performance

Revenue

The Group recorded revenue of RMB6.2 million for half year ended 30 June 2018 ("1H2018"), a decrease of 55.7% compared to RMB16.2 million for half year ended 30 June 2017 ("1H2017"). On a quarterly review, the revenue for three months ended 30 June 2018 ("2Q2018") had decreased to RMB3.9 million as compared to RMB6.4 million for three months ended 30 June 2017 ("2Q2017"). The decrease in revenue was mainly due to:

- Decrease in the fabric processed from 1,815 tonnes in 1H2017 to 687 tonnes in 1H2018 and from 767 tonnes in 2Q2017 to 423 tonnes in 2Q2018 as a result of lower demand from our customers during the period.

- Increase in average fabric processing fee from RMB8,913 per tonne in 1H2017 to RMB9,045 per tonne in 1H2018 and from RMB8,987 per tonne in 2Q2017 to RMB9,147 per tonne in 2Q2018. The increase in average price for 2Q18 and 1H18 was as a result of lower quantity processed compared to corresponding period in FY17.

Review of Financial Performance (cont'd)

Gross profit and gross profit margin

Our gross profit decreased from RMB2.3 million in 1H2017 to RMB0.09 million in 1H2018.

The lower gross profit margin of 1.4% in 1H2018 as compared to 14.4% in 1H2017. The decrease in gross profit and gross profit margin is mainly due to decrease in quantity of fabric processed during the period.

Selling and distribution expenses

Selling and distribution expenses reduced from RMB0.6million to RMB0.2million in 1H18 as compared to 1H17 with company tightening up its cost.

Administrative expenses

Administrative expenses increased by 14.5% from RMB1.7 million in 1H2017 to RMB3.2million in 1H2018, mainly attributed by the followings:

- Increase in director fees from RMB 0.1 million in 1H17 to RMB1.1million in 1H18.
- Increase in professional fees from RMB0.1 million in 1H17 to RMB0.7 million in 1H18.

Other operating expenses

There was nil operating expenses incurred for 1H2018.

Finance cost

Decrease in finance cost from RMB0.05 million in 1H2017 to RMB0.04 million in 1H2018 was due to lesser bank related charges incurred.

Income tax expense

No Income tax expense during the period due to Group loss of RMB4.4 million recorded in the financial period ended 30 June 2018.

Review of Financial Position

Property, plant and equipment decreased from RMB24.5 million as at 31 December 2017 to RMB22.9 million as at 30 June 2018, mainly due to the depreciation charge of RMB1.6 million for the period

Land use rights decreased by from RMB2.24 million as at 31 December 2017 to RMB2.21 million as at 30 June 2018 due to amortisation charge for the period.

Inventories which consist of mainly dyes, additives and packaging materials remained almost intact at RMB0.06 million as at 30 June 2018 compared to 31 December 2017.

Trade receivables decreased from RMB6.5 million as at 31 December 2017 to RMB6.4 million as at 30 June 2018. The reduction was due to some collection for the past dues. The Company is monitoring and managing its credit risk.

There was no significant movement in prepayment and other receivables as at 30 June 2018 as compared to financial year ended 31 December 2017.

Cash and bank balances improved slightly by RMB0.01million from RMB0.11million in 31 December 2017 to RMB0.12million in 30 June 2018. The increment was due to positive cash generated from operation.

Trade payables increased by from RMB0.9 million as at 31 December 2017 to RMB1.2 million as at 30 June 2018. The increase was mainly due to purchases of supplies to meet customer needs for this quarter and to keep some inventory for future demand.

Accrued liabilities and other payables increased from RMB8.2 million in 31 December 2017 to RMB10.0 million in 30 June 2018. The increase was mainly due to increase in director fees by RMB1.10 million and professional fees by RMB0.7 million.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Based on our disclosure in the 2016 full year unaudited results and 1Q2018 results announcements pertaining to a challenging business outlook in FY2017, the management noted no variance between the actual results of 1H2018 and the prospect statement disclosed to shareholders in the 2017 full year results announcement and 1Q2018 results announcement.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Based on the result obtained in FY2017 and the Group's experience with our order books todate on hand, the group expects a challenging 2018 for its dying business.

The China textile industry remains uncertain as output had been slow due to domestic factors and weak recovery from the international market. The effect of various domestic factors such as rising costs from cotton prices and labor costs, has a direct and/or indirect effect on our customers and consequently in their demand for our service.

Shareholders are advised to refer to the Company's announcements in relation to the update of potential customers' claims and auditors' findings.

11. Dividend

(a) Current Financial Period Reported On

None

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared/recommended for the 6 months period ended 30 June 2018.

13 Interested Person Transactions

The Group does not have any general mandate from shareholders for Interested Person Transactions. No interested person transactions exceeding S$100,000 has been entered into by the Group for the period ended 30 June 2018.

14. Confirmation by the Board Pursuant to Rule 705(5) of SGX Listing Manual

The Directors confirmed that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial information of the Company or the unaudited consolidated financial information of the Group for the second quarter and half year ended 30 June 2018 to be false or misleading in any material respect.

15. Confirmation by the Board Pursuant to Rule 720(1) of SGX Listing Manual

The Company confirms that undertakings under Rule 720(1) have been obtained from all its directors and executive officers in the format set out in form Appendix 7.7.

16. Use of IPO proceeds

As at the date of this announcement, the net proceeds from the Company's initial public offering has been utilised as follows:

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	13,231	769
To expand our research and development capabilities	1,000	1,000	-
For working capital purpose	1,282	1,282	-
	16,282	15,513	769

BY ORDER OF THE BOARD

Eric Choo Han Kiat
Executive Director
14 August 2018