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 2016

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		
	2016	2015	Change	2016	2015	Change
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	%	RMB'000 (Unaudited)	RMB'000 (Unaudited)	%
Revenue	7,286	18,758	-61.2%	12,910	29,124	-55.7%
Cost of sales	(6,338)	(14,905)	-57.5%	(11,168)	(23,638)	-52.8%
Gross profit	948	3,853	-75.4%	1,742	5,468	-68.2%
Other income	909	959	-5.2%	1,550	1,405	10.3%
Selling and distribution expenses	(159)	(176)	-9.7%	(305)	(345)	-11.6%
Administrative expenses	(1,046)	(1,263)	-17.2%	(2,309)	(2,702)	-14.5%
Other operating expenses	(502)	(171)	193.6%	(1,052)	(590)	78.3%
Finance cost	(223)	(267)	-16.5%	(460)	(538)	-14.5%
(Loss)/Profit before taxation	(73)	2,935	-102.5%	(834)	2,716	-130.7%
Income tax expense	-	(64)	N.M	-	(64)	N.M
(Loss)/Profit for the period	(73)	2,871	-102.5%	(834)	2,652	-131.4%
Other comprehensive income	-	-	-	-	-	-
Total comprehensive (loss)/income for the period	(73)	2,871	-102.5%	(834)	2,652	-131.4%

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	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Amortisation of land use rights	16	16	31	31
Depreciation of property, plant and equipment	794	832	1,559	1,619
Interest income	(909)	(906)	(1,550)	(1,300)

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 2016 (Unaudited) RMB'000	31 December 2015 (Unaudited) RMB'000	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Unaudited) RMB'000
Assets and Liabilities				
Non-current assets				
Property, plant and equipment	29,283	26,055	-	-
Land use rights	2,335	2,366	-	-
Investment in subsidiaries	-	-	102,370	102,370
Due from subsidiary	-	-	79,898	79,898
	31,618	28,421	182,268	182,268
Current assets				
Inventories	487	816	-	-
Trade receivables	5,587	10,698	-	-
Prepayment and other receivables	20,403	20,687	60	120
Due from a subsidiary	-	-	15,339	15,339
Cash and bank balances	450,267	450,127	7	23
	476,744	482,328	15,406	15,482
Current liabilities				
Trade payables	745	2,335	-	-
Accrued liabilities and other payables	6,307	6,093	2,188	1,286
Interest-bearing bank borrowings	12,900	12,900	-	-
Income tax payable	-	177	-	-
Amount due to subsidiary	-	-	4,896	4,796
	19,952	21,505	7,084	6,082
Net current assets	456,792	460,823	8,322	9,400
Net assets	**488,410**	**489,244**	**190,590**	**191,668**
Equity				
Share capital	135,773	135,773	135,773	135,773
Reserves	352,637	353,471	54,817	55,895
Total equity	**488,410**	**489,244**	**190,590**	**191,668**

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 2016		As at 31 December 2015	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
12,900	-	12,900	-

Amount repayable after one year

As at 30 June 2016		As at 31 December 2015	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	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 RMB6,485,000 as at 30 June 2016 (31 December 2015: RMB6,702,000), land use rights with an aggregate carrying value of approximately RMB2,335,000 as at 30 June 2016 (31 December 2015: RMB2,366,000).

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	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Cash flows from operating activities		
(Loss)/profit before taxation	(834)	2,716
Adjustments for :		
Amortisation of land use rights	31	31
Depreciation of property, plant and equipment	1,559	1,619
Gain on disposal of property, plant and equipment	-	(105)
Interest income	(1,550)	(1,300)
Interest expenses	460	539
Operating (loss)/profit before working capital changes	(334)	3,500
Decrease/(increase) in inventories	329	(214)
Decrease/(increase) in trade receivables	5,111	(318)
Decrease in prepayments and other receivables	284	2,060
(Decrease)/increase in trade payables	(1,590)	72
Increase/(decrease) in accrued liabilities and other payables	214	(776)
Cash generated from operations	4,014	4,324
Interest received	1,550	1,300
Interest paid	(460)	(539)
Income tax paid	(177)	(7,438)
Net cash generated from/(used in) operating activities	**4,927**	**(2,353)**
Cash flows from investing activities		
Acquisition of property, plant and equipment	(4,787)	(8,547)
Proceeds received from disposal of property, plant and equipment	-	105
Net cash used in investing activities	**(4,787)**	**(8,442)**
Cash flows from financing activities		
Bank loan obtained	5,000	5,000
Repayment of bank loans	(5,000)	(5,000)
Net cash used in investing activities	**-**	**-**
Net increase/(decrease) in cash and cash equivalents	**140**	**(10,795)**
Cash and cash equivalents at 1 January	450,127	456,149
Cash and cash equivalents at 30 June	**450,267**	**445,354**

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 2015	135,704	(35)	79,908	69	4,403	15,000	(102,287)	354,981	487,743
Issue of shares under equity-settled transactions	69	-	-	(69)	-	-	-	-	-
Total comprehensive profit for the period	-	-	-	-	-	-	-	2,652	2,652
Balance at 30 June 2015 (Unaudited)	**135,773**	**(35)**	**79,908**	**-**	**4,403**	**15,000**	**(102,287)**	**357,633**	**490,395**
Balance as at 1 January 2016	135,773	(35)	79,908	-	4,403	15,000	(102,287)	356,482	489,244
Total comprehensive loss for the period	-	-	-	-	-	-	-	(834)	(834)
Balance at 30 June 2016 (Unaudited)	**135,773**	**(35)**	**79,908**	**-**	**4,403**	**15,000**	**(102,287)**	**355,648**	**488,410**

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 RMB'000	Treasury share RMB'000	Share premium RMB'000	Share-based payment reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Balance as at 1 January 2015	135,704	(35)	79,908	69	(21,684)	193,962
Issue of shares under equity-settled transactions	69	-	-	(69)	-	-
Total comprehensive loss for the period	-	-	-	-	(1,210)	(1,210)
Balance at 30 June 2015 (Unaudited)	**135,773**	**(35)**	**79,908**	**-**	**(22,894)**	**192,752**
Balance as at 1 January 2016	135,773	(35)	79,908	-	(23,978)	191,668
Total comprehensive loss for the period	-	-	-	-	(1,078)	(1,078)
Balance at 30 June 2016 (Unaudited)	**135,773**	**(35)**	**79,908**	**-**	**(25,056)**	**190,590**

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 2015.

There were no convertible shares issued by the Company as at 30 June 2016.

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 2016	As at 31 December 2015
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 2016.

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 2016.

The accounting policies and methods of computation are consistent with the latest audited financial statements for the year ended 31 December 2015.

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 2016. 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 Earnings Per Share

	3 months ended 30 June		6 months ended 30 June	
	2016	**2015** (Restated)*	**2016**	**2015** (Restated)*
(Loss)/net profit attributable to equity holders of the Company (RMB'000)	(73)	2,871	(834)	2,652
Basic				
Weighted average number of ordinary shares in issue ('000)	8,976	8,976	8,976	8,974
(Loss)/Earnings per share (RMB)	(0.01)	0.32	(0.09)	0.3
Diluted				
Weighted average number of ordinary shares in issue ('000)	8,976	8,990	8,976	8,984
(Loss)/Earnings per share (RMB)	(0.01)	0.32	(0.09)	0.3

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.

*For meaningful comparison, the weighted average number of ordinary shares in issue of 2Q2015 and 6 months 2015 was restated to reflect the effects of share consolidation during the financial year.

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 2016 (Unaudited)	As at 31 December 2015 (Unaudited)	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Unaudited)
Net asset value per ordinary share (RMB)	54.4	54.5	21.2	21.4
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 RMB12.9 million for half year ended 30 June 2016 ("1H2016"), a decrease of 55.7% compared to RMB29.1 million for half year ended 30 June 2015 ("1H2015"). On a quarterly review, the revenue for three months ended 30 June 2016 ("2Q2016") had decreased to RMB7.3 million as compared to RMB18.8 million for three months ended 30 June 2015 ("2Q2015"). The decrease in revenue was mainly due to:

- Decrease in the fabric processed from 3,756 tonnes in 1H2015 to 1,695 tonnes in 1H2016 and from 2,416 tonnes in 2Q2015 to 949 tonnes in 2Q2016 as a result of lower demand from our customers during the period.

- Decrease in average fabric processing fee from RMB7,754 per tonne in 1H2015 to RMB7,615 per tonne in 1H2016 and from RMB7,763 per tonne in 2Q2015 to RMB7,682 per tonne in 2Q2016. Changes in product mix had also contributed to lower average processing fees due to lower proportion of polyester, cotton and spandex processed during the period which commands a lower processing fee.

Review of Financial Performance (cont'd)

Gross profit and gross profit margin

Our gross profit decreased from RMB5.5 million in 1H2015 to RMB1.7 million in 1H2016.

The lower gross profit margin of 13.5% in 1H2016 as compared to 18.8% in 1H2015. The decrease in gross profit and gross profit margin is mainly due to decrease in quantity of fabric processed and average fabric processing fee during the period.

Other income

Increase in other income by 10.3% from RMB1.4 million in 1H2015 to RMB1.6 million in 1H2016 was mainly due to the increase in interest income resulting from fixed deposits of RMB100 million each being placed since 30 March 2015 and 30 October 2015 respectively.

Selling and distribution expenses

Selling and distribution expenses decreased by 11.6% from RMB0.35 million in 1H2015 to RMB0.31 million in 1H2016 was mainly due to decrease in staff cost by RMB35,000 as a result of reduction in number of staff.

Administrative expenses

Administrative expenses decreased by 14.5% from RMB2.7 million in 1H2015 to RMB2.3 million in 1H2016, mainly attributed by the followings:

- Decrease in staff cost by RMB204,000 as a result of reduction in number of staff.
- Decrease in entertainment expenses by RMB23,000 as a result of tightening control in operation expenses.
- Decrease in directors remuneration by RMB112,000 due to the resignation of independent director and non-executive director in January 2016 and July 2015 respectively.
- Decrease in professional fees by RMB148,000 due to professional fees incurred in relation to FY2014 annual general meeting and special general meeting for share consolidation exercise in 2015.
- While offsetting against the impact of increase in exchange loss of RMB133,000 resulting from the depreciation of Chinese RMB.

Other operating expenses

Other operating expenses consisted of unallocated overheads amounting to RMB0.6 million in 1H2015 and RMB1.1 million in 1H2016. As explained in our full year financial statement announcement for FY2013, the unallocated overheads refers to reclassification of depreciation expenses for plant and machinery from production cost in accordance to FRS 2 (Inventories) note 13 on "Cost of conversion" in order to accurately reflect the Group's gross profit margin during the period.

The increase in other operating expenses by 78.3% when compared to prior period was due to lower utilisation rate of plant and machinery as a result of lower demand from our customers.

Review of Financial Performance (cont'd)

Finance cost

Decrease in finance cost by 14.5% from RMB0.54 million in 1H2015 to RMB0.46 million in 1H2016 was due to decrease in loan interest expenses resulting from decrease in interest rates.

Income tax expense

No Income tax expense during the period due to Group loss of RMB0.8 million recorded in the financial period ended 30 June 2016.

Review of Financial Position

Property, plant and equipment increased by 12.4% from RMB26.1 million as at 31 December 2015 to RMB29.3 million as at 30 June 2016, mainly due to the followings:

- Acquisition of property, plant and equipment with new technology in order to widen our customer base, by RMB4.8 million made during the period.
- While offsetting the impact from depreciation charge of RMB1.6 million for the period. In 1H2016.

Land use rights decreased by 1.3% from RMB2.37 million as at 31 December 2015 to RMB2.34 million as at 30 June 2016 due to amortisation charge for the period.

Inventories which consist of mainly dyes, additives and packaging materials decreased by 40.3% from RMB0.8 million as at 31 December 2015 to RMB0.5 million as at 30 June 2016 due to decrease in purchases from suppliers resulting from lower demand from customers.

Trade receivables decreased from RMB10.7 million as at 31 December 2015 to RMB5.6 million as at 30 June 2016. The decrease of 47.8% was due to lower revenue recorded in 2Q2016 amounting to RMB7.3 million (inclusive of value added tax) as compared to 4Q2015 amounting to RMB16.9 million (inclusive of value added tax). 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.

There was no significant movement in prepayment and other receivables as at 30 June 2016 as compared to financial year ended 31 December 2015.

Cash and bank balances increased by 0.03% from RMB450.1 million as at 31 December 2015 to RMB450.3 million as at 30 June 2016. The slight increase was mainly attributable to cash generated from its operating activities. The fixed deposits totalling of RMB200 million with RMB100 million each was matured on 1 May 2016 and 30 June 2016 and no rollover of fixed deposits has been made subsequently.

Trade payables decreased by 68.1% from RMB2.3 million as at 31 December 2015 to RMB0.7 million as at 30 June 2016. The decrease was mainly due to decrease in purchases from suppliers resulting from lower demand from customers.

There was no significant movement in accrued liabilities and other payables as at 30 June 2016 as compared to financial year ended 31 December 2015.

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 2015 full year results and 1Q2016 results announcements pertaining to a challenging business outlook in FY2016, the management noted no variance between the actual results of 1H2016 and the prospect statement disclosed to shareholders in the 2015 full year results announcement and 1Q2016 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 FY2015 and the Group's experience with our order books todate on hand, the group expects a challenging 2016 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 3 months period ended 30 June 2016.

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 2016.

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 2016 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	12,301	1,699
To expand our research and development capabilities	1,000	1,000	-
For working capital purpose	1,282	1,282	-
	16,282	14,583	1,699

BY ORDER OF THE BOARD

Wu Xinhua
Executive Chairman and CEO
15 August 2016