CHINA FIBRETECH LTD.

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

FIRST QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 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

	3 months ended 31 March		
	2018	2017	Change
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	%
Revenue	2,350	9,291	-74.7%
Cost of sales	(2,195)	(7,537)	-70.9%
Gross profit	155	1,753	-91.2%
Other income	-	-	n.m*
Selling and distribution expenses	(139)	(345)	-59.7%
Administrative expenses	(1,665)	(897)	85.6%
Other operating expenses	-	(606)	n.m
Finance cost	(227)	(261)	-13.0%
Loss before taxation	(1,876)	(357)	-425.5%
Income tax expense	-	-	-
Loss after taxation	(1,876)	(357)	-425.5%
Other comprehensive income	-	-	-
Total comprehensive loss for the period	(1,876)	(357)	-425.5%

***n.m –not meaningful**

1(a)(ii) Other information

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

	3 months ended 31 March	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Amortisation of land use rights	15	15
Depreciation of property, plant and equipment	794	794
Interest income	-	-

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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	
	31 March 2018 (Unaudited) RMB'000	31 December 2017 (Unaudited) RMB'000	31 March 2018 (Unaudited) RMB'000	31 December 2017 (Unaudited) RMB'000
Asset and Liabilities				
Non-current assets				
Property, plant and equipment	23,724	24,518	-	-
Land use rights	2,229	2,244	-	-
Investment in subsidiaries	-	-	-	-
Due from a subsidiary	-	-	-	-
	25,953	26,762	-	-
Current assets				
Inventories, at cost	458	566	-	-
Trade receivables	6,262	6,507	-	-
Prepayment and other receivables	4,560	4,560	-	-
Due from a subsidiary	-	-	4,796	4,796
Cash and bank balances	112	112	5	5
	11,392	11,745	4,801	4,801
Current liabilities				
Trade payables	758	855	-	-
Accrueds and other payables	9,041	8,230	5,267	4,492
Interest-bearing bank borrowings	12,900	12,900	-	-
Income tax payable	-	-	-	-
Amount due to a subsidiary	-	-	4,896	4,896
	22,699	21,985	10,163	9,388
Net current liabilities	(11,307)	(10,240)	(5,362)	(4,587)
Net assets	**14,646**	**16,522**	**(5,362)**	**(4,587)**
Equity				
Share capital	135,773	135,773	135,773	135,773
Reserves	(121,127)	(119,251)	(141,135)	(140,360)
Total equity	**14,646**	**16,522**	**(5,362)**	**(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 31 March 2018		As at 31 December 2017	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
12,900	-	12,900	-

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 RMB5,452,000 as at 31 March 2018 (31 December 2017: RMB5,615,000), land use rights with an aggregate carrying value of approximately RMB2,229,000 as at 31 March 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

	3 months ended 31 March	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Cash flows from operating activities		
Loss before taxation	(1,876)	(357)
Adjustments for :		
Amortisation of land use rights	15	15
Depreciation of property, plant and equipment	794	794
Gain from disposal of property, plant and equipment	-	-
Interest income	-	-
Interest expenses	-	-
Operating (loss)/profit before working capital changes	(1,067)	452
(Increase)/Decrease in inventories	108	(172)
(Increase)/Decrease in trade receivables	245	(1,454)
Decrease in prepayments and other receivables	-	-
(Decrease)/increase in trade payables	(97)	1,849
Increase/(Decrease) in accrued liabilities and other payables	811	(547)
Cash generated from operations	-	128
Interest received	-	-
Interest paid	-	-
Tax paid	-	-
Net cash generated from operating activities	**-**	**128**
Cash flows from investing activities		
Acquisition of property, plant and equipment	-	-
Proceeds from disposal of property, plant and equipment	-	-
Net cash used in investing activities	**-**	**-**
Cash flows from financing activity		
Bank loan obtained	-	-
Repayment of bank loan	-	-
Net cash used in financing activity	**-**	**-**
Net increase/(decrease) in cash and cash equivalents	**-**	**128**
Cash and cash equivalents at 1 January	112	660
Cash and cash equivalents at 31 March	**112**	**788**

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 share	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 loss for the period	-	-	-	-	-	-	-	(357)	(357)
Balance at 31 March 2017 (Unaudited)	**135,773**	(35)	**79,908**	**-**	**4,403**	**15,000**	**(102,287)**	**(113,460)**	**19,302**
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	-	-	-	-	-	-	-	(1,876)	(1,876)
Balance at 31 March 2018 (Unaudited)	**135,773**	**(35)**	**79,908**	**-**	**4,403**	**15,000**	**(102,287)**	**(118,116)**	**14,646**

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	-	-	-	-	(305)	(305)
Balance at 31 March 2017 (Unaudited)	**135,773**	**(35)**	**79,908**	**-**	**(219,145)**	**(3,499)**
Balance as at 1 January 2018	**135,773**	**(35)**	**79,908**	**-**	**(220,233)**	**(4,587)**
Total comprehensive loss for the period	-	-	-	-	(775)	(775)
Balance at 31 March 2018 (Unaudited)	**135,773**	**(35)**	**79,908**	**-**	**(221,008)**	**(5,362)**

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 31 March 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 31 March 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, transfer, disposal, cancellation and / or use of treasury shares by the Company as at 31 March 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 2018.

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 2018. 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 31 March	
	2018	**2017**
Net loss attributable to equity holders of the Company (RMB'000)	(1,876)	(305)
Basic		
Weighted average number of ordinary shares in issue ('000)	8,976	8,976
Loss per share (RMB)	(0.21)	(0.03)
Diluted		
Weighted average number of ordinary shares in issue ('000)	8,976	8,976
Loss per share (RMB)	(0.21)	(0.03)

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 31 March 2018 (Unaudited)	As at 31 December 2017 (Unaudited)	As at 31 March 2018 (Unaudited)	As at 31 December 2017 (Unaudited)
Net asset value per ordinary share (RMB)	1.63	1.84	(0.60)	(0.51)
Number of issued ordinary shares excluding treasury shares 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 RMB2.4 million for three months ended 31 March 2018 ("1Q2018"), a significant decrease of 74.7% compared to RMB9.3 million for three months ended 31 March 2017 ("1Q2017"). The decrease in revenue was mainly due to decrease in the fabric processed from 1,047 tonnes in 1Q2017 to 265 tonnes in 1Q2018 as a result of lower demand from our customers.

Gross profit and gross profit margin

Our gross profit declined from RMB1.8 million in 1Q2017 to RMB0.16 million in 1Q2018 as a result of decrease revenue reported above. Gross profit margin slide down from 18.9% in 1Q2017 compared to 6.6% in 1Q2018, was mainly due to lower utilisation rate of its plant and machinery as a result of reduction in customer orders.

Review of Financial Performance (cont'd)

Selling and distribution expenses

Selling and distribution expenses decreased by 59.7% from RMB0.35 million in 1Q2017 to RMB0.14 million in 1Q2018. The decrease was mainly due to reduction of logistics related cost in tandem with reduction in revenue and customers preference to engage their logistics firms to deliver their goods.

Administrative expenses

Administrative expenses increased by 85.6% from RMB0.9 million in 1Q2018 to RMB1.7 million in 1Q2018, mainly attributed by the followings:
- increase of directors fees RMB0.6 million
- increase in professional fees RMB0.2 million

Other operating expenses

There was nil other operating expenses reported in 1QFY2018 compared to RMB0.61 million in 1Q2017 due to staff compensation claim as a result of injuries sustained during the course of work.

Finance cost

Finance cost reduced by 13.0% from RMB0.26 million in 1Q2017 to RMB0.23 million in 1Q2018 was due to lower bank related charges incurred during this period.

Income tax expense

No Income tax expense during the period due to Group loss of RMB1.9 million recorded in the financial period ended 31 March 2018.

Net Loss

In tandem to the above, net loss was widened to RMB1.9 million in 1QFY2018 from RMB0.4 million in 1QFY2017.

Review of Financial Position

Property, plant and equipment decreased from RMB24.5 million as at 31 December 2017 to RMB23.7 million as at 31 March 2018, mainly attributed by the followings:
- depreciation charge of RMB0.8 milion for the period.

Land use rights decreased from RMB2.24 million as at 31 December 2017 to RMB2.29 million as at 31 March 2018 due to amortisation charge for the period.

Inventories which consist of dyeing materials, additives and packaging materials decreased from RMB0.6 million as at 31 December 2017 to RMB0.5 million as at 31 Mar 2018 on the usage of materials to meet customer orders.

Trade receivables decreased from RMB6.5 million as at 31 December 2017 to RMB6.3 million as at 31 March 2018 due to collection received from customers.

Trade payables decreased from RMB0.9 million as at 31 December 2017 to RMB0.8 million as at 31 March 2018. The decrease was due to settlement of some outstanding invoices due to our suppliers.

Accrued liabilities and other payables increased from RMB8.2 million as at 31 December 2017 to RMB9.0 million as at 31 March 2018. The increase was mainly due to provision of directors fees and professional fees amounting to RMB0.6 million and RMB 0.2 million respectively.

Cash and Cash equivalent position
Cash and cash equivalent remain unchanged at RMB0.1 million in 1QFY2018 as compared to FY17. There is no cash generated from operation. Cash generated from working capital is suffice to cover the loss from operation. There was nil movement in investing and financing activities.

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 2017 full year results announcement pertaining to a challenging business outlook in FY2018, the management noted no variance between the actual results of 1Q2018.

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 to date 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 labour costs, has a direct and/or indirect effect on our customers and consequently in their demand for our service.

The Company has managed to raise S$30.0 million from 6 new investors for our new business diversification in One Belt Road Initiatives and part of the funds will be allocated for special audit. Please refer to the announcement made on 07 May 2018.

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 31 March 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 31 March 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 first quarter ended 31 March 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

On behalf of the Board of Directors

Eric Choo Han Kiat
Executive Director

15 May 2018