CHINA FIBRETECH LTD.

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

FIRST QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2017

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		
	2017	2016	Change
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	%
Revenue	9,291	5,624	65.2%
Cost of sales	(7,537)	(4,830)	56.0%
Gross profit	1,754	794	120.9%
Other income	-	841	n.m*
Selling and distribution expenses	(345)	(146)	136.3%
Administrative expenses	(897)	(1,263)	-29.0%
Other operating expenses	(606)	(550)	10.2%
Finance cost	(261)	(237)	10.1%
Loss before taxation	(355)	(761)	-53.4%
Income tax expense	-	-	-
Loss after taxation	(355)	(761)	-53.4%
Other comprehensive income	-	-	-
Total comprehensive loss for the period	(355)	(761)	-53.4%

***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	
	2017	2016
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Amortisation of land use rights	15	15
Depreciation of property, plant and equipment	794	765
Interest income	-	(641)

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 2017 (Unaudited) RMB'000	31 December 2016 (Unaudited) RMB'000	31 March 2017 (Unaudited) RMB'000	31 December 2016 (Unaudited) RMB'000
Asset and Liabilities				
Non-current assets				
Property, plant and equipment	26,900	27,694	-	-
Land use rights	2,290	2,305	-	-
Investment in subsidiaries	-	-	-	-
Due from a subsidiary	-	-	-	-
	29,190	29,999	-	-
Current assets				
Inventories, at cost	736	564	-	-
Trade receivables	5,573	4,119	-	-
Prepayment and other receivables	4,560	4,560	-	-
Due from a subsidiary	-	-	4,796	4,796
Cash and bank balances	788	660	5	5
	11,657	9,903	4,801	4,801
Current liabilities				
Trade payables	2,355	506	-	-
Accrueds and other payables	6,290	6,837	3,404	3,099
Interest-bearing bank borrowings	12,900	12,900	-	-
Income tax payable	-	-	-	-
Amount due to a subsidiary	-	-	4,896	4,896
	21,545	20,243	8,300	7,995
Net current liabilities	(9,888)	(10,340)	(3,499)	(3,194)
Net assets	**19,302**	**19,659**	**(3,499)**	**(3,194)**
Equity				
Share capital	135,773	135,773	135,773	135,773
Reserves	(116,471)	(116,114)	(139,272)	(138,967)
Total equity	**19,302**	**19,659**	**(3,499)**	**(3,194)**

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 2017		As at 31 December 2016	
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 RMB6,159,000 as at 31 March 2017 (31 December 2016: RMB6,267,000), land use rights with an aggregate carrying value of approximately RMB2,289,000 as at 31 March 2017 (31 December 2016: RMB2,305,000).

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	
	2017 RMB'000 (Unaudited)	**2016 RMB'000 (Unaudited)**
Cash flows from operating activities		
Loss before taxation	(357)	(761)
Adjustments for :		
Amortisation of land use rights	15	15
Depreciation of property, plant and equipment	794	765
Gain from disposal of property, plant and equipment	-	-
Interest income	-	(641)
Interest expenses	-	238
Operating (loss)/profit before working capital changes	452	(384)
(Increase)/Decrease in inventories	(172)	360
(Increase)/Decrease in trade receivables	(1,454)	8,245
Decrease in prepayments and other receivables	-	243
(Decrease)/increase in trade payables	1,849	(1,971)
Decrease in accrued liabilities and other payables	(547)	(693)
Cash generated from operations	128	5,800
Interest received	-	641
Interest paid	-	(238)
Tax paid	-	(177)
Net cash generated from operating activities	**128**	**6,026**
Cash flows from investing activities		
Acquisition of property, plant and equipment	-	(4,787)
Proceeds from disposal of property, plant and equipment	-	-
Net cash used in investing activities	**-**	**(4,787)**
Cash flows from financing activity		
Bank loan obtained	-	500
Repayment of bank loan	-	(500)
Net cash used in financing activity	**-**	**-**
Net increase/(decrease) in cash and cash equivalents	**128**	**1,239**
Cash and cash equivalents at 1 January	660	450,127
Cash and cash equivalents at 31 March	**788**	**451,366**

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 2016	135,773	(35)	79,908	-	4,403	15,000	(102,287)	356,482	489,244
Total comprehensive loss for the period	-	-	-	-	-	-	-	(761)	(761)
Balance at 31 March 2016 (Unaudited)	**135,773**	(35)	**79,908**	**-**	**4,403**	**15,000**	**(102,287)**	**355,721**	**488,483**
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**

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 2016	135,773	(35)	79,908	-	(23,978)	191,688
Total comprehensive loss for the period	-	-	-	-	(653)	(653)
Balance at 31 March 2016 (Unaudited)	**135,773**	**(35)**	**79,908**	**-**	**(24,631)**	**191,015**
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)**

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 2016.

There were no convertible shares issued by the Company as at 31 March 2017.

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 2017	As at 31 December 2016
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 2017.

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 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 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 Earnings Per Share

	3 months ended 31 March	
	2017	**2016**
Net loss attributable to equity holders of the Company (RMB'000)	(355)	(761)
Basic		
Weighted average number of ordinary shares in issue ('000)	8,976	8,976
Loss per share (RMB)	(0.04)	(0.08)
Diluted		
Weighted average number of ordinary shares in issue ('000)	8,976	8,976
Loss per share (RMB)	(0.04)	(0.08)

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 2017 (Unaudited)	As at 31 December 2016 (Unaudited)	As at 31 March 2017 (Unaudited)	As at 31 December 2016 (Unaudited)
Net asset value per ordinary share (RMB)	2.15	2.19	(0.39)	(0.36)
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 RMB9.3 million for three months ended 31 March 2017 ("1Q2017"), a significant increase of 65.2% compared to RMB5.6 million for three months ended 31 March 2016 ("1Q2016"). The increase in revenue was mainly due to increase in the fabric processed from 747 tonnes in 1Q2016 to 1,047 tonnes in 1Q2017 as a result of strong demand from our customers in 1Q2017.

Gross profit and gross profit margin

Our gross profit improved from RMB0.8 million in 1Q2016 to RMB1.8 million in 1Q2017 as a result of increase revenue reported above. Gross profit margin improved from 14.1% in 1Q2016 as compared to 18.9% in 1Q2017, is mainly due to better utilisation rate of its plant and machinery as a result of increased demand from our cusomters.

Review of Financial Performance (cont'd)

Other income

There was no other income recorded in 1Q2017. This was due to nil interest income generated as company no longer has fixed deposit as compared to 1Q2016 (RMB100 million) which generated RMB0.6 million interest income. There is no disposal gain in 1Q2017 as compared to 1Q2016 RMB0.2 million.

Selling and distribution expenses

Selling and distribution expenses increased by 136.5% from RMB0.15 million in 1Q2016 to RMB0.35 million in 1Q2017. The increase was mainly due to increase of logistics related cost in tandem with improvement in revenue. Logistics cost recorded RMB0.23million in 1Q2017 compared to Nil in 1Q2016.

Administrative expenses

Administrative expenses decreased by 29.0% from RMB1.3 million in 1Q2016 to RMB0.9 million in 1Q2017, mainly attributed by the followings:
- decrease in staff cost as a result of reduction in number of staff
- decrease in entertainment expenses a result of tightening control in operation expenses

Other operating expenses

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

Finance cost

Finance cost decreased by 10.3% from RMB0.24 million in 1Q2016 to RMB0.26 million in 1Q2017 was due to bank related charges of RMB0.02 million incurred during this period.

Income tax expense

No Income tax expense during the period due to Group loss of RMB0.36 million recorded in the financial period ended 31 March 2017.

Review of Financial Position

Property, plant and equipment decreased from RMB27.7 million as at 31 December 2016 to RMB26.9 million as at 31 March 2017, mainly attributed by the followings:
- depreciation charge of RMB0.8 milion for the period.

Land use rights decreased from RMB2.31 million as at 31 December 2016 to RMB2.29 million as at 31 March 2017 due to amortisation charge for the period.

Inventories which consist of dyeing materials, additives and packaging materials increased slightly from RMB0.6 million as at 31 December 2016 to RMB0.7 million as at 31 Mar 2017 due to effective inventory planning optimizes our supplies.

Trade receivables increased from RMB4.1 million as at 31 December 2016 to RMB5.6 million as at 31 March 2017. The increase was in tandem with sales generated during the period.

There was no significant movement in prepayment and other receivables as at 31 March 2017 as compared to financial year ended 31 December 2016.

Cash and bank balances increased by 0.3% from RMB0.7 million as at 31 December 2016 to RMB0.8 million as at 31 March 2017. The increase was mainly attributable to cash generated from its operating activities.

Trade payables increased from RMB0.5 million as at 31 December 2016 to RMB2.4 million as at 31 March 2017. The increase was mainly due to increase in purchases from suppliers resulting from strong demand from customers.

Accrued liabilities and other payables decreased from RMB6.8 million as at 31 December 2016 to RMB6.3 million as at 31 March 2017. The decrease was mainly due to reversal of accrued bonus that was provided during the year and payment to non trade suppliers.

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 announcement pertaining to a challenging business outlook in FY2016, the management noted no variance between the actual results of 1Q2016 and the prospect statement disclosed to shareholders in the 2015 full year 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 FY2016 and the Group's experience with our order books to date on hand, the group expects a challenging 2017 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.

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 2017.

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 2017.

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 2017 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 January 2018