



CHINA FIBRETECH LTD.

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

ADJUSTMENTS TO THE UNAUDITED THIRD QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2016

The Board of Directors (the “**Board**”) of China Fibretech Ltd. (the “**Company**”) and its subsidiaries (the “**Group**”) refers to the Company’s announcement entitled “Second Quarter Financial Statements And Dividend Announcement For the Period Ended 30 September 2016 (“3Q2016”)” (“3Q2016 Results Announcement”) released on 15 November 2016, and wished to provide its update as follows:-

The Company proposes the following adjustments in the unaudited FY2015 Results Announcement due to the payment of compensation claim made to the Claimants on 28 September 2016 as announced on 29 September 2016. The Company will also be reflecting such adjusted figures in its audited FY2015 financial statements. The Company is in the midst of arranging the issuance of signed audited FY2015 financial statements although Independent Auditors, Messrs RT LLP, has indicated that a disclaimer opinion would be issued.

Pursuant to Rule 704 (5) of the SGX-ST Listing Manual, the following sections presents the adjustments proposed in the unaudited 3Q2016 Results Announcement.

A. Consolidated statement of comprehensive income for the Group

The Group	3 th quarter period ended 30 September 2015		Difference RMB'000	9-month period ended 30 September 2015		Difference RMB'000	Note
	(Restated) RMB'000 (Unaudited)	RMB'000 (Unaudited)		(Restated) RMB'000 (Unaudited)	RMB'000 (Unaudited)		
Revenue	7,585	7,585	-	20,495	20,495	-	
Cost of sales	(6,817)	(6,817)	-	(17,985)	(17,985)	-	
Gross profit	768	768	-	2,510	2,510	-	
Other income	341	341	-	1,891	1,891	-	
Selling and distribution expenses	(159)	(159)	-	(464)	(464)	-	
Administrative expenses	(1,150)	(1,150)	-	(3,459)	(3,459)	-	
Other operating expenses	(502)	(466,500)	(465,998)	(1,554)	(467,552)	(465,998)	1
Finance cost	(222)	(222)	-	(682)	(682)	-	
(Loss)/profit before taxation	(924)	(466,922)	(465,998)	(1,758)	(467,756)	(465,998)	1
Income tax expense	-	-	-	-	-	-	
(Loss)/profit for the period/year	(924)	(466,922)	(465,998)	(1,758)	(467,756)	(465,998)	1
Other comprehensive income	-	-	-	-	-	-	
Total comprehensive (loss)/income for the period/year	(924)	(466,922)	(465,998)	(1,758)	(467,756)	(465,998)	1

Note 1: The increase in other expense of RMB 465.998 million was mainly due to provision for claim by customers of RMB 470.474 million while offsetting the impact from reversal of provision of doubtful debts of RMB4.476 million. Pursuant to the Company's announcement dated 29 September 2016, the payment of compensation, netting off against the trade receivables due from the Claimants, has been made to the Claimants on 28 September 2016. Pursuant to the Company's announcement dated 22 November 2016, below are the details of payments made to the Claimants:

Customers	Compensation claimed RMB	Interest expenses # RMB	Trade receivables RMB	Net amounts paid RMB
石狮市爱利奴服饰有限公司	132,263,307.00	1,257,441.92	(2,314,997.45)	132,263,307.00
晋江市滨浪制衣织造有限公司	205,346,020.00	1,950,787.19	(838,441.45)	205,346,020.00
石狮市金太屋纺织服饰有限公司	128,339,053.00	1,219,221.01	(1,323,294.02)	128,339,053.00
Total	466,047,380.00	4,427,450.12	(4,476,732.92)	465,998,097.20

B. Statements of financial position as at 30 September 2016

	The Company			
	(Restated)	(Unaudited)	Difference	Note
	(Unaudited)	(Unaudited)	RMB'000	
	RMB'000	RMB'000	RMB'000	
Assets and Liabilities				
Non-current assets				
Property, plant and equipment	-	-	-	
Land use rights	-	-	-	
Investment in subsidiaries	-	102,370	(102,370)	1
Due from a subsidiary	-	79,898	(79,898)	2
	-	182,268	(182,268)	
Current assets				
Inventories	-	-	-	
Trade receivables	-	-	-	
Prepayment and other receivables	30	30	-	
Due from a subsidiary	4,796	15,339	(10,543)	2
Cash and bank balances	7	7	-	
	4,833	15,376	(10,543)	
Current liabilities				
Trade payables	-	-	-	
Provision for compensation	-	-	-	
Accruals and other liabilities	2,656	2,656	-	
Interest-bearing bank borrowings	-	-	-	
Income tax payable	-	-	-	
Amount due to a subsidiary	4,896	4,896	-	
	7,552	7,552	-	
Net current (liabilities)/assets	(2,719)	7,824	(10,543)	
Net assets	(2,719)	190,092	(192,811)	
Equity				
Share capital	135,773	135,773	-	
Reserves	(138,492)	54,319	(192,811)	
Total equity	(2,719)	190,092	(192,811)	

Note 1: The decrease in investment in subsidiaries was mainly due to allowance for impairment loss of investment in subsidiaries of RMB102,370,000 was recognised in FY2015. Subsidiaries of the Company was resulted in a negative net tangible asset position resulting from the provision for claim by customers of RMB 470.474 million recorded in the FY2015. Pursuant to the Company's announcement dated 29 September 2016, the payment of compensation has been made to the Claimants on 28 September 2016.

Note 2: The decrease in non-current and current amount due from a subsidiary was mainly due to allowance for impairment loss of non-current and current amount due from a subsidiary of RMB79,898,000 and RMB10,543,000 respectively were recognised in FY2015. A subsidiary of the Company was resulted in a negative net tangible asset position resulting from the provision for claim by customers of RMB 470.474 million recorded in the FY2015. Pursuant to the Company's announcement dated 29 September 2016, the payment of compensation has been made to the Claimants on 28 September 2016.

C. Statements of financial position as at 31 December 2015

	The Group		Difference	The Company		Difference	Note
	(Unaudited) RMB'000	(Unaudited) RMB'000		(Unaudited) RMB'000	(Unaudited) RMB'000		
Assets and Liabilities							
Non-current assets							
Property, plant and equipment	26,055	26,055	-	-	-	-	
Land use rights	2,366	2,366	-	-	-	-	
Investment properties	-	-	-	-	-	-	
Investment in subsidiaries	-	-	-	-	102,370	(102,370)	1
Due from a subsidiary	-	-	-	-	79,898	(79,898)	2
	<u>28,421</u>	<u>28,421</u>	-	<u>-</u>	<u>182,268</u>	<u>(182,268)</u>	
Current assets							
Inventories	816	816	-	-	-	-	
Trade receivables	15,175	10,698	4,477	-	-	-	3
Prepayment and other receivables	20,687	20,687	-	120	120	-	
Due from a subsidiary	-	-	-	4,796	15,339	(10,543)	2
Cash and bank balances	450,127	450,127	-	23	23	-	
	<u>486,805</u>	<u>482,328</u>	<u>4,477</u>	<u>4,939</u>	<u>15,482</u>	<u>(10,543)</u>	
Current liabilities							
Trade payables	2,335	2,335	-	-	-	-	
Provision for compensation	470,475	-	470,475	-	-	-	3
Accruals and other liabilities	6,093	6,093	-	1,286	1,286	-	
Interest-bearing bank borrowings	12,900	12,900	-	-	-	-	
Income tax payable	177	177	-	-	-	-	
Amount due to a subsidiary	-	-	-	4,796	4,796	-	
	<u>491,980</u>	<u>21,505</u>	<u>470,475</u>	<u>6,082</u>	<u>6,082</u>	<u>-</u>	
Net current assets	(5,175)	460,823	(465,998)	(1,143)	9,400	(10,543)	
Net assets	<u>23,246</u>	<u>489,244</u>	(465,998)	<u>(1,143)</u>	<u>191,668</u>	(192,811)	
Equity							
Share capital	135,773	135,773	-	135,773	135,773	-	
Reserves	(112,527)	353,471	(465,998)	(136,916)	55,895	(192,811)	
Total equity	<u>23,246</u>	<u>489,244</u>	(465,998)	<u>(1,143)</u>	<u>191,668</u>	(192,811)	

Note 1: Please refer to note 1 in A. Statements of financial position as at 30 September 2016.

Note 2: Please refer to note 2 in A. Statements of financial position as at 30 September 2016.

Note 3: The increase in provision for compensation of RMB 465.998 million was mainly due to provision for claim by customers of RMB 470.475 million and reversal of provision of doubtful debts of RMB4.477 million. Pursuant to the Company's announcement dated 29 September 2016, the payment of compensation has been made to the Claimants on 28 September 2016. Pursuant to the Company's announcement dated 22 November 2016, below are the details of payments made to the Claimants:

Customers	Compensation claimed RMB	Interest expenses # RMB	Trade receivables RMB	Net amounts paid RMB
石狮市爱利奴服饰有限公司	132,263,307.00	1,257,441.92	(2,314,997.45)	132,263,307.00
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Total	466,047,380.00	4,427,450.12	(4,476,732.92)	465,998,097.20

D. Consolidated statement of cash flows for the Group

	9 months ended 30 September 2016		Difference RMB'000	Note
	RMB'000 (Restated) (Unaudited)	RMB'000 (Unaudited)		
Cash flows from operating activities				
Loss before taxation	(1,758)	(467,756)	(465,998)	1
Adjustments for :				
Amortisation of land use rights	46	46		
Depreciation of property, plant and equipment	2,354	2,354		
Reversal of provision of doubtful debts	-	(4,477)	4,477	1
Gain on disposal of property, plant and machinery	-	-		
Interest income	(1,891)	(1,891)		
Interest expenses	681	681		
Operating loss before working capital changes	(568)	(471,043)	(470,475)	
Decrease in inventories	253	253		
Decrease in trade receivables	9,286	9,286		
Decrease in prepayments and other receivables	16,097	16,097		
Decrease in trade payables	(1,405)	(1,405)		
(Decrease)/increase in accrued liabilities and other payables	(469,831)	644	470,475	
Cash used in operations	(446,168)	(446,168)		
Interest received	1,891	1,891		
Interest paid	(681)	(681)		
Income tax paid	(177)	(177)		
Net cash used in operating activities	(445,135)	(445,135)		
Cash flows from investing activities				
Acquisition of property, plant and equipment	(4,787)	(4,787)		
Proceeds from disposal of property, plant and machinery	-	-		
Net cash used in investing activities	(4,787)	(4,787)		
Cash flows from financing activities				
Bank loans obtained	12,900	12,900		
Repayment of bank loans	(12,900)	(12,900)		
Net cash used in investing activities	-	-		
Net decrease in cash and cash equivalents	(449,922)	(449,922)		
Cash and cash equivalents at 1 January	450,127	450,127		
Cash and cash equivalents at 30 September	205	205		

Note 1: Please refer to note 3 in C. Statements of financial position as at 31 December 2015.

Due to the uncertainties surrounding these claims, 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
25 February 2017