



CHINA FIBRETECH LTD.

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

FIRST QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2015

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 | | |
|--|----------------------------|-------------|--------|
| | 2015 | 2014 | Change |
| | RMB'000 | RMB'000 | % |
| | (Unaudited) | (Unaudited) | |
| Revenue | 10,366 | 10,465 | -0.9% |
| Cost of sales | (8,733) | (9,771) | -10.6% |
| Gross profit | 1,633 | 694 | 135.3% |
| Other income | 446 | 1,035 | -56.9% |
| Selling and distribution expenses | (169) | (203) | -16.7% |
| Administrative expenses | (1,439) | (1,982) | -27.4% |
| Other operating expenses | (419) | (1,281) | -67.3% |
| Finance cost | (271) | (363) | -25.3% |
| Loss before taxation | (219) | (2,100) | -89.6% |
| Income tax expense | - | - | - |
| Loss after taxation | (219) | (2,100) | -89.6% |
| Other comprehensive income | - | - | - |
| Total comprehensive loss for the period | (219) | (2,100) | -89.6% |

1(a)(ii) Other information

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

| | 3 months ended 31 March | |
|---|----------------------------|-------------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Amortisation of land use rights | 15 | 79 |
| Depreciation of property, plant and equipment | 787 | 2,335 |
| Depreciation of investment properties | - | 113 |
| Interest income | (394) | (367) |



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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 2015 (Unaudited) RMB'000 | 31 December 2014 (Audited) RMB'000 | 31 March 2015 (Unaudited) RMB'000 | 31 December 2014 (Audited) RMB'000 |
| Asset and Liabilities | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | 28,525 | 20,765 | - | - |
| Land use rights | 2,412 | 2,427 | - | - |
| Investment properties | - | - | - | - |
| Investment in subsidiaries | - | - | 102,370 | 102,370 |
| Due from a subsidiary | - | - | 79,898 | 79,898 |
| | <u>30,937</u> | <u>23,192</u> | <u>182,268</u> | <u>182,268</u> |
| Current assets | | | | |
| Inventories, at cost | 697 | 697 | - | - |
| Trade receivables | 7,299 | 14,188 | - | - |
| Prepayment and other receivables | 21,198 | 22,486 | 136 | 143 |
| Due from a subsidiary | - | - | 16,735 | 16,735 |
| Cash and bank balances | 448,494 | 456,149 | 13 | 143 |
| | <u>477,688</u> | <u>493,520</u> | <u>16,884</u> | <u>17,021</u> |
| Current liabilities | | | | |
| Trade payables | 2,504 | 2,298 | - | - |
| Accrueds and other payables | 5,697 | 6,333 | 1,226 | 846 |
| Interest-bearing bank borrowings | 12,900 | 12,900 | - | - |
| Income tax payable | - | 7,438 | - | - |
| Amount due to a subsidiary | - | - | 4,581 | 4,481 |
| | <u>21,101</u> | <u>28,969</u> | <u>5,807</u> | <u>5,327</u> |
| Net current assets | 456,587 | 464,551 | 11,077 | 11,694 |
| Net assets | <u>487,524</u> | <u>487,743</u> | <u>193,345</u> | <u>193,962</u> |
| Equity | | | | |
| Share capital | 135,773 | 135,704 | 135,773 | 135,704 |
| Reserves | 351,751 | 352,039 | 57,572 | 58,258 |
| Total equity | <u>487,524</u> | <u>487,743</u> | <u>193,345</u> | <u>193,962</u> |



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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 2015 | | As at 31 December 2014 | |
|---------------------|-----------|------------------------|-----------|
| 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 RMB7,028,000 as at 31 March 2015 (31 December 2014: RMB7,136,000), land use rights with an aggregate carrying value of approximately RMB2,412,000 as at 31 March 2015 (31 December 2014: RMB2,427,000).



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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 | |
|---|--------------------------------|--------------------------------|
| | 2015 RMB'000 (Unaudited) | 2014 RMB'000 (Unaudited) |
| Cash flows from operating activities | | |
| Loss before taxation | (219) | (2,100) |
| Adjustments for : | | |
| Amortisation of land use rights | 15 | 79 |
| Depreciation of property, plant and equipment | 787 | 2,335 |
| Depreciation of investment properties | - | 113 |
| Gain from disposal of property, plant and equipment | (52) | - |
| Interest income | (394) | (367) |
| Interest expenses | 271 | 363 |
| Operating profit before working capital changes | 408 | 423 |
| Decrease in inventories | - | 222 |
| Decrease in trade receivables | 6,889 | 5,914 |
| Decrease in prepayments and other receivables | 1,288 | 3 |
| Increase/(decrease) in trade payables | 206 | (642) |
| Decrease in accrued liabilities and other payables | (636) | (760) |
| Cash generated from operations | 8,155 | 5,160 |
| Interest received | 394 | 367 |
| Interest paid | (271) | (363) |
| Tax paid | (7,438) | (296) |
| Net cash generated from operating activities | 840 | 4,868 |
| Cash flows from investing activities | | |
| Acquisition of property, plant and equipment | (8,547) | - |
| Proceeds from disposal of property, plant and equipment | 52 | - |
| Net cash used in investing activities | (8,495) | - |
| Cash flows from financing activity | | |
| Repayment of bank loans | - | (37,500) |
| Net cash used in financing activity | - | (37,500) |
| Net decrease in cash and cash equivalents | (7,655) | (32,632) |
| Cash and cash equivalents at 1 January | 456,149 | 447,567 |
| Cash and cash equivalents at 31 March | 448,494 | 414,935 |



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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 2014 | 135,635 | (18) | 79,908 | 69 | 4,403 | 15,000 | (102,287) | 352,997 | 485,707 |
| Issue of shares under equity-settled transactions | 69 | - | - | (69) | - | - | - | - | - |
| Total comprehensive loss for the period | - | - | - | - | - | - | - | (2,100) | (2,100) |
| Balance at 31 March 2014 (Unaudited) | 135,704 | (18) | 79,908 | - | 4,403 | 15,000 | (102,287) | 350,897 | 483,607 |
| 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 loss for the period | - | - | - | - | - | - | - | (219) | (219) |
| Balance at 31 March 2015 (Unaudited) | 135,773 | (35) | 79,908 | - | 4,403 | 15,000 | (102,287) | 354,762 | 487,524 |



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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 2014 | 135,635 | (18) | 79,908 | 69 | (18,735) | 196,859 |
| Issue of shares under equity-settled transactions | 69 | - | - | (69) | - | - |
| Total comprehensive loss for the period | - | - | - | - | (728) | (728) |
| Balance at 31 March 2014 (Unaudited) | 135,704 | (18) | 79,908 | - | (19,463) | 196,131 |
| 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 | - | - | - | - | (617) | (617) |
| Balance at 31 March 2015 (Unaudited) | 135,773 | (35) | 79,908 | - | (22,301) | 193,345 |



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- 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.**

Detail of the changes to the issued and paid-up share capital of the Company since 31 December 2014 are as follows:

| | Number of shares | Issued and paid up share capital (US\$) |
|--|------------------|---|
| Share capital as at 31 December 2014 | 448,509,625 | 17,942,385 |
| Issue of 280,000 new ordinary shares of US\$0.04 each relating to the grant of share awards pursuant to the China Fibretech Share Award Scheme | 280,000 | 11,200 |
| Share capital as at 31 March 2015 | 448,789,625 | 17,953,585 |

There were no convertible shares issued by the Company as at 31 March 2015.

- 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 2015 | As at 31 December 2014 |
|---|------------------------|---------------------------|
| Number of ordinary shares in issue | 448,989,625 | 448,709,625 |
| Less: Ordinary shares kept as treasury shares | (200,000) | (200,000) |
| Number of ordinary shares excluding treasury shares | 448,789,625 | 448,509,625 |

As at 31 March 2015, the number of shares contingently issuable (being contingent award) under the share award scheme was 700,000.

- 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 2015.

- 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.



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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 2015.

The accounting policies and methods of computation are consistent with the latest audited financial statements for the year ended 31 December 2014.

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 2015. 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.**

| | 3 months ended 31 March | |
|--|----------------------------|---------|
| | 2015 | 2014 |
| Net loss attributable to equity holders of the Company (RMB'000) | (219) | (2,100) |
| Weighted average number of ordinary shares in issue ('000) | 448,578 | 448,432 |
| Loss per share (RMB cents) | (0.05) | (0.5) |

Earnings Per Share (On a fully diluted basis)

| | 3 months ended 31 March | |
|--|----------------------------|---------|
| | 2015 | 2014 |
| Net loss attributable to equity holders of the Company (RMB'000) | (219) | (2,100) |
| Weighted average number of ordinary shares in issue ('000) | 448,858 | 448,743 |
| Loss per share (RMB cents) | (0.05) | (0.5) |

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.



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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 2015 (Unaudited) | As at 31 December 2014 (Audited) | As at 31 March 2015 (Unaudited) | As at 31 December 2014 (Audited) |
| Net asset value per ordinary share (RMB cents) | 108.6 | 108.8 | 43.1 | 43.3 |
| Number of issued ordinary shares excluding treasury shares as at end of the period | 448,789,625 | 448,509,625 | 448,789,625 | 448,509,625 |

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 RMB10.4 million for three months ended 31 March 2015 ("1Q2015"), a slight decrease of 0.9% compared to RMB10.5 million for three months ended 31 March 2014 ("1Q2014"). The slight decrease in revenue was mainly due to decrease in the fabric processed from 1,353 tonnes in 1Q2014 to 1,340 tonnes in 1Q2015 as a result of lower demand from our customers in 1Q2015.

Gross profit and gross profit margin

Our gross profit increased from RMB0.7 million in 1Q2014 to RMB1.6 million in 1Q2015. The higher gross profit margin of 15.8% in 1Q2015 as compared to 6.6% in 1Q2014. The increase in gross profit and gross profit margin is mainly due to decrease in depreciation charge from RMB2.3 million in 1Q2014 to RMB0.8 million in 1Q2015 as a result of impairment of property, plant and equipment provided in FY2014. This gives an effect of lower depreciation charge in subsequent periods.



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Review of Financial Performance (cont'd)

Other income

Decrease in other income by 56.9% from RMB1.0 million in 1Q2014 to RMB0.4 million in 1Q2015 was mainly due to decrease in rental income and management fee from tenants during the period as a result of cessation of operating lease since June 2014.

Selling and distribution expenses

Selling and distribution expenses remained fairly stable compared to 1Q2014.

Administrative expenses

Administrative expenses decreased by 27.4% from RMB2.0 million in 1Q2014 to RMB1.4 million in 1Q2015, mainly attributed by the followings:

- decrease in amortisation of land use rights, land use tax, rental related expenses and depreciation charge of investment properties by RMB64,000, RMB125,000, RMB124,000 and RMB113,000 respectively as a result of the sale of our Xiamen land and investment properties in FY2014.
- decrease in audit fee by RMB86,000 mainly due to an internal audit fee in relation to enterprise risk management charged by internal auditor in January 2014.

Other operating expenses

Other operating expenses consisted of unallocated overheads amounting to RMB1.3 million in 1Q2014 and RMB0.4 million in 1Q2015. As explained in our full year financial statement announcement for FY2012, the unallocated overheads refers to reclassification of depreciation expenses of 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 decrease in other operating expenses by 67.3% when compared to prior period was due to decrease in depreciation charged during the period as a result of impairment of property, plant and equipment provided in FY2014.

Finance cost

Decrease in finance cost by 25.3% from RMB0.4 million in 1Q2014 to RMB0.3 million in 1Q2015 was due to decrease in loan interest expenses as a result of repayment of bank borrowings made in 1Q2014.

Income tax expense

No Income tax expense during the period due to Group loss of RMB0.2 million recorded in the financial period ended 31 March 2015.



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Review of Financial Position

Property, plant and equipment increased from RMB20.8 million as at 31 December 2014 to RMB28.5 million as at 31 March 2015, mainly attributed by the followings:

- acquisition of property, plant and equipment, installation and reconstruction of a boiler system for compliance with local government's recent requirement on more stringent pollution-controlled production, by RMB8.5 million made during the period.
- depreciation charge of RMB0.8 million for the period.

Land use rights decreased from RMB2.43 million as at 31 December 2014 to RMB2.41 million as at 31 March 2015 due to amortisation charge for the period.

Inventories which consisted dyeing materials, additives and packaging materials remained fairly stable compared to the balance as at 31 December 2014.

Trade receivables decreased from RMB14.2 million as at 31 December 2014 to RMB7.3 million as at 31 March 2015. The decrease of 48.6% was due to lower revenue recorded in 1Q2015 amounting to RMB10.4 million (inclusive of value added tax) as compared to 4Q2014 amounting to RMB18.3 million (inclusive of value added tax). Trade receivables are within the credit term of 60 days as at 31 March 2015.

Prepayment and other receivable decreased from RMB22.5 million as at 31 December 2014 to RMB21.2 million as at 31 March 2015. The decrease is mainly due to decrease in prepayment made to PPE supplier by RMB2.0 million and increase in VAT receivables by RMB0.7 million as a result of completion of installation and reconstruction of a boiler system during the period.

Cash and bank balances decreased by 1.7% from RMB456.1 million as at 31 December 2014 to RMB448.5 million as at 31 March 2015. The decrease was mainly attributable to cash used in investing activity. During the 1Q2015, the Group has placed RMB100 million as a 3-month fixed deposit with interest rate of 2.35% per annum on 31 March 2015.

Trade payables increased from RMB2.3 million as at 31 December 2014 to RMB2.5 million as at 31 March 2015. The slight increase was mainly due to increase in purchases from suppliers for future orders.

Accrued liabilities and other payables decreased from RMB6.3 million as at 31 December 2014 to RMB5.7 million as at 31 March 2015. The decrease was mainly due to payment of accrued bonus made in 1Q2015.

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 4Q2014, announcement pertaining to a challenging business outlook in FY2015, the management noted no variance between the actual results of 1Q2015 and the prospect statement disclosed to shareholders in the 2014 full year results announcement.



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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 FY2014 and the Group's experience with our order books to date since 1 July 2014, the group expects a challenging 2015 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.

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/recommendeded, a statement to that effect.

No dividend has been declared/recommendeded for the 3 months period ended 31 March 2015.

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 2015.

14. Confirmation by the Board Pursuant to Rule 705(4) 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 2015 to be false or misleading in any material respect.



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15. 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 | 9,111 | 2,700 |
| To expand our research and development capabilities | 1,000 | 1,000 | - |
| For working capital purpose | 1,282 | 1,282 | - |
| | 16,282 | 11,393 | 2,700 |

On behalf of the Board of Directors

Wu Xinhua
Executive Chairman and CEO

Gao Yan
Executive Director

30 April 2015

By order of the Board
Wu Xinhua
Executive Chairman and CEO
30 April 2015