



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 2014

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		
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)	Change %	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)	Change %
Revenue	19,069	20,624	-7.5%	29,534	34,133	-13.5%
Cost of sales	(16,745)	(16,613)	0.8%	(26,516)	(27,810)	-4.7%
Gross profit	2,324	4,011	-42.1%	3,018	6,323	-52.3%
Other income	648	1,717	-62.3%	1,683	3,086	-45.5%
Selling and distribution expenses	(203)	(198)	3.0%	(406)	(384)	6.0%
Administrative expenses	(1,860)	(1,679)	10.7%	(3,842)	(3,318)	15.8%
Other operating expenses	(364)	(1,093)	-66.7%	(1,645)	(2,756)	-40.3%
Finance cost	(262)	(864)	-69.7%	(625)	(1,705)	-63.3%
Profit/(Loss) before taxation	283	1,894	-85.1%	(1,817)	1,246	-245.8%
Income tax expense	-	(600)	N.M	-	(600)	N.M
Profit/(Loss) for the period	283	1,294	-78.1%	(1,817)	646	-381.3%
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income/(loss) for the period	283	1,294	-78.1%	(1,817)	646	-381.3%

N.M: Not meaningful

1(a)(ii) Other information

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

	2Q 30 June		1H 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Amortisation of land use rights	80	80	159	159
Depreciation of property, plant and equipment	2,406	2,332	4,741	4,670
Depreciation of investment properties	113	112	226	225
Share-based compensation expense	-	-	-	(29)
Interest income	(368)	(396)	(735)	(785)



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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	
	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Assets and Liabilities				
Non-current assets				
Property, plant and equipment	42,095	42,614	-	-
Land use rights	11,068	11,227	-	-
Investment properties	7,739	7,965	-	-
Investment in subsidiaries	-	-	102,370	102,370
Due from subsidiary	-	-	79,898	79,898
	60,902	61,806	182,268	182,268
Current assets				
Inventories	868	958	-	-
Trade receivables	14,585	15,558	-	-
Prepayment and other receivables	20,429	20,487	86	144
Due from a subsidiary	-	-	18,329	19,567
Cash and bank balances	408,612	447,567	1	372
	444,494	484,570	18,416	20,083
Current liabilities				
Trade payables	2,668	2,861	-	-
Accrued liabilities and other payables	5,939	7,113	876	1,011
Interest-bearing bank borrowings	12,900	50,400	-	-
Income tax payable	-	296	-	-
Amount due to subsidiary	-	-	4,482	4,482
	21,507	60,670	5,358	5,493
Net current assets	422,987	423,900	13,058	14,590
Net assets	483,889	485,706	195,326	196,858
Equity				
Share capital	135,704	135,635	135,704	135,635
Reserves	348,185	350,071	59,622	61,223
Total equity	483,889	485,706	195,326	196,858



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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 30 June 2014		As at 31 December 2013	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
12,900	-	50,400	-

Amount repayable after one year

As at 30 June 2014		As at 31 December 2013	
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 RMB7,354,000 as at 30 June 2014 (31 December 2013: RMB7,571,000), land use rights with an aggregate carrying value of approximately RMB11,068,000 as at 30 June 2014 (31 December 2013: RMB11,227,000) and investment properties with an aggregate carrying value of approximately RMB7,739,000 as at 30 June 2014 (31 December 2013: RMB7,965,000).



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SECOND QUARTER AND HALF YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2014

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	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Cash flows from operating activities		
(Loss)/profit before taxation	(1,817)	1,246
Adjustments for :		
Amortisation of land use rights	159	159
Depreciation of property, plant and equipment	4,741	4,670
Depreciation of investment properties	226	225
Share-based compensation expense	-	(29)
Interest income	(735)	(785)
Interest expenses	625	1,705
Operating profit before working capital changes	3,199	7,191
Decrease in inventories	90	52
Decrease/(Increase) in trade receivables	973	(8,101)
Decrease in prepayments and other receivables	58	101
(Decrease)/Increase in trade payables	(193)	833
(Decrease)/Increase in accrued liabilities and other payables	(1,174)	626
Cash generated from operations	2,953	702
Interest received	735	785
Interest paid	(625)	(1,705)
Income tax paid	(296)	-
Net cash generated from/(used in) operating activities	2,767	(218)
Cash flows from investing activity		
Acquisition of property, plant and equipment	(4,222)	(1,881)
Net cash used in investing activity	(4,222)	(1,881)
Cash flows from financing activity		
Repayment of bank loans	(37,500)	(6,000)
Net cash used in investing activity	(37,500)	(6,000)
Net decrease in cash and cash equivalents	(38,955)	(8,099)
Cash and cash equivalents at 1 January	447,567	444,466
Cash and cash equivalents at 30 June	408,612	436,367



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(Company Registration No. 40381)
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SECOND QUARTER AND HALF YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2014

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 2013	135,565	(18)	79,908	99	!D15 Is Not In Table	!E15 Is Not In Table	!F15 Is Not In Table	351,266	483,936
Equity-settled share-based payment expenses	-	-	-	(29)	-	-	-	-	(29)
Issue of shares under equity-settled transactions	70	-	-	(70)	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	-	646	646
Balance at 30 June 2013 (Unaudited)	135,635	(18)	79,908	-	4,403	15,000	(102,287)	351,912	484,553
Balance as at 1 January 2014	135,635	(18)	79,908	69	!D15 Is Not In Table03	!E15 Is Not In Table	!F15 Is Not In Table	352,996	485,706
Issue of shares under equity-settled transactions	69	-	-	(69)	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	-	-	-	(1,817)	(1,817)
Balance at 30 June 2014 (Unaudited)	135,704	(18)	79,908	-	4,403	15,000	(102,287)	351,179	483,889



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(Company Registration No. 40381)
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SECOND QUARTER AND HALF YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2014

- 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.

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 2013	135,565	(18)	79,908	99	(16,490)	199,064
Equity-settled share-based payment expenses	-	-	-	(29)	-	(29)
Issue of shares under equity- settled transactions	70	-	-	(70)	-	-
Total comprehensive loss for the period	-	-	-	-	(1,152)	(1,152)
Balance at 30 June 2013 (Unaudited)	135,635	(18)	79,908	-	(17,642)	197,883
Balance as at 1 January 2014	135,635	(18)	79,908	69	(18,736)	196,858
Issue of shares under equity- settled transactions	69	-	-	(69)	-	-
Total comprehensive loss for the period	-	-	-	-	(1,532)	(1,532)
Balance at 30 June 2014 (Unaudited)	135,704	(18)	79,908	-	(20,268)	195,326



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SECOND QUARTER AND HALF YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2014

- 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 March 2014. Details of the issued and paid-up share capital of the Company remained as follows:-

	Number of shares	Issued and paid up share capital (US\$)
Share capital as at 31 December 2013	448,329,625	17,934,185
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 30 June 2014	448,609,625	17,945,385

There were no convertible shares issued by the Company as at 30 June 2014.

- 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 2014	As at 31 December 2013
Number of ordinary shares in issue	448,709,625	448,429,625
Less: Ordinary shares kept as treasury shares	(100,000)	(100,000)
Number of ordinary shares excluding treasury shares	448,609,625	448,329,625

As at 30 June 2014, 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, transfers, disposal, cancellation and / or use of treasury shares by the Company as at 30 June 2014.



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SECOND QUARTER AND HALF YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2014

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 2014.

The accounting policies and methods of computation are consistent with the latest audited financial statements for the year ended 31 December 2013.

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 2014. 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.



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SECOND QUARTER AND HALF YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2014

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 Earnings Per Share

	3 months ended 30 June		Half Year ended 30 June	
	2014	2013	2014	2013
Net profit/(loss) attributable to equity holders of the Company (RMB'000)	283	1,294	(1,817)	646
Weighted average number of ordinary shares in issue ('000)	448,610	448,330	448,521	448,220
Earnings/(Loss) per share (RMB cents)	0.1	0.3	(0.4)	0.1

Earnings Per Share (On a fully diluted basis)

	3 months ended 30 June		Half Year ended 30 June	
	2014	2013	2014	2013
Net profit/(loss) attributable to equity holders of the Company (RMB'000)	283	1,294	(1,817)	646
Weighted average number of ordinary shares in issue ('000)	449,310	449,030	449,028	448,726
Earnings/(Loss) per share (RMB cents)	0.1	0.3	(0.4)	0.1

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 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Net asset value per ordinary share (RMB cents)	107.9	108.3	43.5	43.9
Number of issued ordinary shares excluding treasury share as at end of the period	448,609,625	448,329,625	448,609,625	448,329,625



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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 RMB29.5 million for half year ended 30 June 2014 ("1H2014"), a decrease of 13.5% compared to RMB34.1 million for half year ended 30 June 2013 ("1H2013"). On a quarterly review, the revenue for three months ended 30 June 2014 ("2Q2014") had decreased to RMB19.1 million as compared to RMB20.6 million for three months ended 30 June 2013 ("2Q2013"). The decrease in revenue was mainly due to:

- Decrease in the fabric processed from 4,309 tonnes in 1H2013 to 3,776 tonnes in 1H2014 and from 2,618 tonnes in 2Q2013 to 2,423 tonnes in 2Q2014 as a result of lower demand from our customers made during the period.
- Decrease in average fabric processing fee from RMB7,921 per tonne in 1H2013 to RMB7,821 per tonne in 1H2014 and from RMB7,877 per tonne in 2Q2013 to RMB7,871 per tonne in 2Q2014. Changes in product mix had also contributed to lower average processing fees due to lower proportion of spandex and knitted velour processed during the period which commands a lower processing fee.

Gross profit and gross profit margin

Our gross profit decreased from RMB6.3 million in 1H2013 to RMB3.0 million in 1H2014, in line with the decreased revenue.

Gross profit margin decreased from 18.5% in 1H2013 to 10.2% in 1H2014 due to decrease in our processing volume which resulted in lower utilization rates. This gives an effect of higher average cost per tonne due to fixed overhead costs being spread over the decreasing processing volume.

Other income

Decrease in other income by 45.5% from RMB3.1 million in 1H2013 to RMB1.7 million in 1H2014 was mainly due to decrease in rental income and management fee from tenants during the period as a result of lower number of tenants.



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SECOND QUARTER AND HALF YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2014

Review of Financial Performance (cont'd)

Selling and distribution expenses

Selling and distribution expenses remained fairly stable compared to 1H2013.

Administrative expenses

Administrative expenses increased by 15.8% from RMB3.3 million in 1H2013 to RMB3.8 million in 1H2014, mainly attributed by the followings:

- Increase in listing related expenses and professional fees amounting to RMB34,000 and RMB97,000 respectively.
- Under accrual of professional fees and rental related expenses by RMB86,000 and RMB124,000 respectively.
- Increase in staff cost by RMB182,000 as a result of increase in salaries of administrative staffs as compared to prior period and changes in key management.

Other operating expenses

Other operating expenses consisted of unallocated overheads amounting to RMB2.7 million in 1H2013 and RMB1.6 million in 1H2014. 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.

Based on our disclosure in the 4Q2013, the decrease in other operating expenses by 40.3% when compared to prior period was due to adjustment made in relation to unallocated overhead as a result of update for the basis of calculation since 4Q2013.

Finance cost

Decrease in finance cost by 63.3% from RMB1.7 million in 1H2013 to RMB0.6 million in 1H2014 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 RMB1.8 million.



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SECOND QUARTER AND HALF YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2014

Review of Financial Position

Property, plant and equipment decreased by 1.2% from RMB42.6 million as at 31 December 2013 to RMB42.1 million as at 30 June 2014 due to depreciation charge for the period. In 2Q2014, the Company had acquired new machinery amounting to RMB4.2 million.

Investment properties decreased by 2.8% from RMB8.0 million as at 31 December 2013 to RMB7.7 million as at 30 June 2014 due to depreciation charge for the period.

Land use rights decreased by 1.4% from RMB11.2 million as at 31 December 2013 to RMB11.1 million as at 30 June 2014 due to amortisation charge for the period.

Inventories which consist of mainly dyes, additives and packaging materials decreased slightly by 9.4% from RMB1.0 million as at 31 December 2013 to RMB0.9 million as at 30 June 2014 due to lower business activities.

Trade receivables decreased from RMB15.6 million as at 31 December 2013 to RMB14.6 million as at 30 June 2014. The decrease of 6.3% was due to lower revenue recorded in 2Q2014 amounting to RMB19.1 million (inclusive of value added tax) as compared to 4Q2013 amounting to RMB20.5 million (inclusive of value added tax). Trade receivables are within the credit term of 60 days as at 30 June 2014.

There was no significant movement in prepayment and other receivable as at 30 June 2014 when compared to 31 December 2013.

Cash and bank balances decreased by 8.7% from RMB447.6 million as at 31 December 2013 to RMB408.6 million as at 30 June 2014. The decrease was mainly attributable to cash used in investing and financing activities.

Trade payables decreased by 6.7% from RMB2.9 million as at 31 December 2013 to RMB2.7 million as at 30 June 2014. The decrease was mainly due to decrease in the purchases from suppliers as a result of lower business activities.

Accrued liabilities and other payables decreased by 16.5% from RMB7.1 million as at 31 December 2013 to RMB5.9 million as at 30 June 2014. The decrease was mainly due to payment of accrued bonus, professional fees and corporate tax for FY2013 made in 1H2014.



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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 4Q2013 and 1Q2014 announcements pertaining to an optimistic business outlook in FY2014, the management noted no variance between the prospect statement and the actual results in respect of 2Q2014 but the profit made in 2Q2014 was insufficient to cover the loss incurred in 1Q2014, resulting in a loss in 1H2014 compared to a small profit in 1H2013.

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 1H2014 and the Group's experience with our order books to date since 1 July 2014, the group expects a challenging 2H2014 for its dying business. Subject to the successful completion of the sale of the Group's property at No.37 Xingdong Road, Xinglin District, Xiamen City, The People's Republic of China (as disclosed via our announcement on 5 August 2014), the management expects the Group to remain profitable in FY2014 but to incur a loss if the sale of the Group's property does not materialise.

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 30 June 2014.

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 2014.



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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 2014 to be false or misleading in any material respect.

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	4,889
To expand our research and development capabilities	1,000	1,000	-
For working capital purpose	1,282	1,282	-
	16,282	11,393	4,889

BY ORDER OF THE BOARD

Wu Xinhua
Executive Chairman and CEO
8 August 2014