



CHINA FIBRETECH LTD.

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

THIRD QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 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	3 months ended 30 September			9 months ended 30 September		
	2014	2013	Change	2014	2013	Change
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	%	RMB'000 (Unaudited)	RMB'000 (Unaudited)	%
Revenue	18,122	20,560	-11.9%	47,656	54,693	-12.9%
Cost of sales	(15,229)	(16,538)	-7.9%	(41,745)	(44,348)	-5.9%
Gross profit	2,893	4,022	-28.1%	5,911	10,345	-42.9%
Other income	371	1,171	-68.3%	2,054	4,257	-51.8%
Selling and distribution expenses	(206)	(200)	3.0%	(612)	(584)	4.8%
Administrative expenses	(1,843)	(1,969)	-6.4%	(5,685)	(5,287)	7.5%
Other operating expenses	(990)	(1,171)	-15.5%	(2,635)	(3,927)	-32.9%
Finance cost	(273)	(825)	-66.9%	(898)	(2,530)	-64.5%
(Loss)/profit before taxation	(48)	1,028	-104.7%	(1,865)	2,274	-182.0%
Income tax expense	(369)	(403)	-8.4%	(369)	(1,003)	-63.2%
(Loss)/profit for the period	(417)	625	-166.7%	(2,234)	1,271	-275.8%
Other comprehensive income	-	-	-	-	-	-
Total comprehensive (loss)/income for the period	(417)	625	-166.7%	(2,234)	1,271	-275.8%

1(a)(ii) Other information

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

	3 months ended 30 September		9 months ended 30 September	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Amortisation of land use rights	79	80	238	239
Depreciation of property, plant and equipment	2,450	2,370	7,191	7,040
Depreciation of investment properties	112	113	338	338
Loss on disposal of property, plant and equipment (net)	86	79	86	79
Share-based compensation expense	-	-	-	(29)
Interest income	(371)	(395)	(1,106)	(1,180)



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THIRD QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2014

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 September 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000	30 September 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Assets and Liabilities				
Non-current assets				
Property, plant and equipment	40,290	42,614	-	-
Land use rights	10,989	11,227	-	-
Investment properties	7,627	7,965	-	-
Investment in subsidiaries	-	-	102,370	102,370
Due from subsidiary	-	-	79,898	79,898
	58,906	61,806	182,268	182,268
Current assets				
Inventories	759	958	-	-
Trade receivables	14,132	15,558	-	-
Prepayment and other receivables	20,423	20,487	80	144
Due from a subsidiary	-	-	17,332	19,567
Cash and bank balances	419,061	447,567	170	372
	454,375	484,570	17,582	20,083
Current liabilities				
Trade payables	2,187	2,861	-	-
Accrued liabilities and other payables	14,601	7,113	851	1,011
Interest-bearing bank borrowings	12,900	50,400	-	-
Income tax payable	121	296	-	-
Amount due to subsidiary	-	-	4,482	4,482
	29,809	60,670	5,333	5,493
Net current assets	424,566	423,900	12,249	14,590
Net assets	483,472	485,706	194,517	196,858
Equity				
Share capital	135,704	135,635	135,704	135,635
Reserves	347,768	350,071	58,813	61,223
Total equity	483,472	485,706	194,517	196,858



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THIRD QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2014

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 September 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 September 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 RMB7,245,000 as at 30 September 2014 (31 December 2013: RMB7,571,000), land use rights with an aggregate carrying value of approximately RMB2,442,000 as at 30 September 2014 (31 December 2013: RMB11,227,000) and investment properties with an aggregate carrying value of approximately RMB Nil as at 30 September 2014 (31 December 2013: RMB7,965,000).



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THIRD QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 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

	9 months ended 30 September	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
(Loss)/profit before taxation	(1,865)	2,274
Adjustments for :		
Amortisation of land use rights	238	239
Depreciation of property, plant and equipment	7,191	7,040
Depreciation of investment properties	338	338
Loss on disposal of plant and machinery (net)	86	79
Share-based compensation expense	-	(29)
Interest income	(1,106)	(1,180)
Interest expenses	898	2,529
Operating profit before working capital changes	5,780	11,290
Decrease in inventories	199	63
Decrease/(increase) in trade receivables	1,426	(7,881)
Decrease in prepayments and other receivables	64	95
(Decrease)/increase in trade payables	(674)	770
Increase/(decrease) in accrued liabilities and other payables	7,488	(1,203)
Cash generated from operations	14,283	3,134
Interest received	1,106	1,180
Interest paid	(898)	(2,529)
Income tax paid	(544)	(600)
Net cash generated from operating activities	13,947	1,185
Cash flows from investing activities		
Acquisition of property, plant and equipment	(4,972)	(1,881)
Proceeds from disposal of plant and machinery	19	22
Net cash used in investing activities	(4,953)	(1,859)
Cash flows from financing activities		
Bank loans obtained	12,900	42,500
Repayment of bank loans	(50,400)	(42,500)
Net cash used in investing activities	(37,500)	-
Net decrease in cash and cash equivalents	(28,506)	(674)
Cash and cash equivalents at 1 January	447,567	444,466
Cash and cash equivalents at 30 September	419,061	443,792



CHINA FIBRETECH LTD.

(Company Registration No. 40381)
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THIRD QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 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	4,403	15,000	(102,287)	351,266	483,936
Equity-settled share-based payment expenses	-	-	-	(29)	-	-	-	-	(29)
Issue of shares under equity-settled transactions	70	-	-	(70)	-	-	-	-	-
Total comprehensive profit for the period	-	-	-	-	-	-	-	1,271	1,271
Balance at 30 September 2013 (Unaudited)	135,635	(18)	79,908	-	4,403	15,000	(102,287)	352,537	485,178
Balance as at 1 January 2014	135,635	(18)	79,908	69	4,403	15,000	(102,287)	352,996	485,706
Issue of shares under equity-settled transactions	69	-	-	(69)	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	-	-	-	(2,234)	(2,234)
Balance at 30 September 2014 (Unaudited)	135,704	(18)	79,908	-	4,403	15,000	(102,287)	350,762	483,472



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THIRD QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 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	-	-	-	-	(1,736)	(1,736)
Balance at 30 September 2013 (Unaudited)	135,635	(18)	79,908	-	(18,226)	197,299
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	-	-	-	-	(2,341)	(2,341)
Balance at 30 September 2014 (Unaudited)	135,704	(18)	79,908	-	(21,077)	194,517



CHINA FIBRETECH LTD.

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

THIRD QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 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 30 June 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 September 2014	448,609,625	17,945,385

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



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THIRD QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 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

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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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THIRD QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 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 September		9 months ended 30 September	
	2014	2013	2014	2013
Net (loss)/profit attributable to equity holders of the Company (RMB'000)	(417)	625	(2,234)	1,271
Weighted average number of ordinary shares in issue ('000)	448,610	448,330	448,551	448,257
(Loss)/Earnings per share (RMB cents)	(0.1)	0.1	(0.5)	0.3

Earnings Per Share (On a fully diluted basis)

	3 months ended 30 September		9 months ended 30 September	
	2014	2013	2014	2013
Net (loss)/profit attributable to equity holders of the Company (RMB'000)	(417)	625	(2,234)	1,271
Weighted average number of ordinary shares in issue ('000)	449,310	449,030	449,123	448,829
(Loss)/Earnings per share (RMB cents)	(0.1)	0.1	(0.5)	0.3

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 September 2014 (Unaudited)	As at 31 December 2013 (Audited)	As at 30 September 2014 (Unaudited)	As at 31 December 2013 (Audited)
Net asset value per ordinary share (RMB cents)	107.8	108.3	43.4	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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THIRD QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2014

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 RMB47.7 million for 9 months ended 30 September 2014 ("9M2014"), a decrease of 12.9% compared to RMB54.7 million for 9 months ended 30 September 2013 ("9M2013"). On a quarterly review, the revenue for three months ended 30 September 2014 ("3Q2014") had decreased to RMB18.1 million as compared to RMB20.6 million for three months ended 30 September 2013 ("3Q2013"). The decrease in revenue was mainly due to:

- Decrease in the fabric processed from 6,958 tonnes in 9M2013 to 6,088 tonnes in 9M2014 as a result of lower demand from our customers during the period.
- Decrease in average fabric processing fee from RMB7,861 per tonne in 9M2013 to RMB7,828 per tonne in 9M2014. 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 RMB10.3 million in 9M2013 to RMB5.9 million in 9M2014, in line with the decreased revenue.

Gross profit margin decreased from 18.9% in 9M2013 to 12.4% in 9M2014 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 51.8% from RMB4.3 million in 9M2013 to RMB2.1 million in 9M2014 was mainly due to decrease in rental income and management fee from tenants during the period as a result of lower number of tenants and cessation of operating lease since June 2014.



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THIRD QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2014

Review of Financial Performance (cont'd)

Selling and distribution expenses

Selling and distribution expenses remained fairly stable compared to 9M2013.

Administrative expenses

Administrative expenses decreased by 6.4% from RMB5.3 million in 9M2013 to RMB5.7 million in 9M2014, mainly attributed by the followings:

- Increase in professional fees by RMB181,000 in relation to the sale of our Xiamen land and investment properties.
- Increase in staff cost by RMB242,000 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 RMB3.9 million in 9M2013 and RMB2.6 million 9M2014. 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 32.9% 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 64.5% from RMB2.5 million in 9M2013 to RMB0.9 million in 9M2014 was due to decrease in loan interest expenses as a result of repayment of bank borrowings in 1Q2014.

Income tax expense

Income tax expenses of RMB0.4 million derived from profit generated by our China subsidiary in Shishi during 3Q2014 and underprovision of taxation in respect of FY2013.



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THIRD QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2014

Review of Financial Position

Property, plant and equipment decreased by 5.5% from RMB42.6 million as at 31 December 2013 to RMB40.3 million as at 30 September 2014 due to depreciation charge for the period. In 9M2014, the Company had acquired new machinery amounting to RMB5.0 million in 9M2014 and disposal had been made in 3Q2014 amounting to RMB0.2 million.

Investment properties decreased by 4.2% from RMB8.0 million as at 31 December 2013 to RMB7.6 million as at 30 September 2014 due to depreciation charge.

Land use rights decreased by 2.1% from RMB11.2 million as at 31 December 2013 to RMB11.0 million as at 30 September 2014 due to amortisation charge for the period.

Inventories which consist of mainly dyes, additives and packaging materials decreased by 20.8% from RMB1.0 million as at 31 December 2013 to RMB0.8 million as at 30 September 2014 due to lower business activities.

Trade receivables decreased from RMB15.6 million as at 31 December 2013 to RMB14.1 million as at 30 September 2014. The decrease of 9.2% was due to lower revenue recorded in 3Q2014 amounting to RMB18.1 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 September 2014.

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

Cash and bank balances decreased by 6.4% from RMB447.6 million as at 31 December 2013 to RMB419.1 million as at 30 September 2014. The decrease was mainly attributable to bank loan repayment and of a lesser extent, fixed asset investment.

The decrease in trade payables by 23.6% from RMB2.9 million as at 31 December 2013 to RMB2.2 million as at 30 September 2014 was mainly due to decrease in purchases as a result of lower business activities.

Accrued liabilities and other payables increased by 105.3% from RMB7.1 million as at 31 December 2013 to RMB14.6 million as at 30 September 2014. The increase was mainly due to the followings:

- Receipt of 1st installment amounting to RMB8.7 million in relation to the sale of our Xiamen land and investment properties.
- Offsetted by settlement of prior year accrued bonus and professional fees by RMB 0.6 million and RMB 0.5 million respectively in 9M2013.



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THIRD QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2014

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 2Q2014 announcement pertaining to a challenging business outlook in second half of FY2014, the management noted no variance between the actual results of 3Q2014 and the prospect statement disclosed to shareholders in the 2Q2014 results announcement, which is "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."

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 9M2014 and the Group's experience with our order books to date since 1 July 2014, the group expects a challenging 4Q2014 for its dying business. Nevertheless, with the completion of sale of the Group's property at No.37 Xingdong Road, Xinglin District, Xiamen City, The People's Republic of China (please refer to announcement dated 29 October 2014), the management expects the Group to remain profitable in FY2014.

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 September 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 September 2014.



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THIRD QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2014

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 third quarter and nine months ended 30 September 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
3 November 2014