

SINO TECHFIBRE LIMITED

*(Incorporated in Bermuda)
(Company Registration Number: 38530)*

SGXNET ANNOUNCEMENT UNAUDITED RESULTS FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2010

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.

Explanatory notes:

The Company was incorporated as an exempt company with limited liability, in Bermuda on 15 June 2006. The immediate and ultimate holding company is Merit Asia International Limited, a company incorporated in the British Virgin Islands. The principal activity of the Company is that of investment holding.

The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal place of business of the Group is located at South Muhuang Road and West Railroad, Longkou Economic Development Zone, Shandong Province (265716), People's Republic of China ("the PRC").

**UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2010**

	Group			Group		
	3Q2010	3Q2009	% variance	3Q2010	3Q2009	% variance
	3 Months	3 Months		9 Months	9 Months	
	RMB'000	RMB'000		RMB'000	RMB'000	
			+/(-)			+/(-)
Revenue	279,150	259,853	7.4	940,584	634,656	48.2
Cost of goods sold	<u>(279,084)</u>	<u>(280,483)</u>	(0.5)	<u>(851,750)</u>	<u>(680,859)</u>	25.1
Gross (loss)/profit	66	(20,630)	NM	88,834	(46,203)	NM
Other income	—	—	—	—	2,300	(100.0)
Selling and distribution expenses	(3,975)	(12,291)	(67.7)	(15,136)	(36,162)	(58.1)
General and administrative expenses	<u>(43,214)</u>	<u>(68,595)</u>	(37.0)	<u>(97,063)</u>	<u>(175,574)</u>	(44.7)
(Loss)/Profit from operations	(47,123)	(101,516)	(53.6)	(23,365)	(255,639)	(90.9)
Financial income	204	154	32.5	506	881	(42.6)
Financial expense	<u>(2,523)</u>	<u>(1,043)</u>	141.9	<u>(5,841)</u>	<u>(2,254)</u>	159.1
(Loss)/Profit before tax	(49,442)	(102,405)	(51.7)	(28,700)	(257,012)	(88.8)
Income tax	<u>(311)</u>	—	N.A.	<u>(1,816)</u>	<u>(324)</u>	460.5
Net (loss)/profit after tax	(49,753)	(102,405)	(51.4)	(30,516)	(257,336)	(88.1)
Other comprehensive income/(expenses)						
Currency translation difference	<u>(1,741)</u>	<u>(141)</u>	(1,134.8)	<u>(2,825)</u>	658	NM
Total comprehensive income attributable to equity holders of the Company	<u>(51,494)</u>	<u>(102,546)</u>	(49.8)	<u>(33,341)</u>	<u>(256,678)</u>	(87.0)

NM – Not meaningful

(ii) The following items (with appropriate breakdowns and explanations), if significant, must either be included in the income statement or in the notes to the income statement for the current financial period reported on and the corresponding period of the immediately preceding financial year:-

The Group's loss from operations is determined after charging/(crediting) the following items:

	Unaudited 3Q2010 3 Months RMB'000	Unaudited 3Q2009 3 Months RMB'000	Unaudited 3Q2010 9 Months RMB'000	Unaudited 3Q2009 9 Months RMB'000
The Group				
Amortisation of land use rights and trademark	236	236	709	666
Depreciation of property, plant and equipment	29,460	28,553	88,052	78,322
Loss on disposal of property, plant and equipments	15,810	61	15,810	147
Foreign exchange gain, net	(1,446)	(62)	(2,412)	(249)
Personnel expenses	6,157	6,727	19,854	19,785
Allowance for inventory obsolescence	—	2,443	—	9,644
Research expenses	<u>14,237</u>	<u>58,964</u>	<u>47,833</u>	<u>139,066</u>

Explanation for significant fluctuations:

(i) Depreciation of property, plant and equipment

The increase in depreciation expense for 3Q2010 as compared to 3Q2009 was due to higher amount of depreciable assets.

(ii) Foreign exchange gain, net

Higher exchange gain in 3Q2010 was due mainly to translation gain arising from the fluctuations of the RMB with HKD.

(iii) Loss on disposal of property, plant and equipment

The increase in loss on disposal of property, plant and equipment was due to higher amount of assets disposed in 3Q2010.

(iv) Research expenses

Research expenses decreased as more research works was done in 3Q2009 compared with 3Q2010.

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.

**CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2010**

	Group		Company	
	Unaudited 30 Sep 10 RMB'000	Audited 31 Dec 09 RMB'000	Unaudited 30 Sept 10 RMB'000	Audited 31 Dec 09 RMB'000
Non-Current Assets				
Property, plant and equipment	1,226,462	1,207,408	–	–
Land use rights and trademark	42,682	43,391	–	–
Other receivable	9,993	10,793	–	–
Prepayments (Note A)	75,000	137,000	–	–
Investment in subsidiaries	–	–	815,500	815,500
	<u>1,354,137</u>	<u>1,398,592</u>	<u>815,500</u>	<u>815,500</u>
Current Assets				
Inventories	116,462	88,335	–	–
Trade and other receivables	286,330	291,495	–	–
Amount due from subsidiaries	–	–	234,541	234,706
Prepayments (Note A)	97,105	72,384	31	138
Bank deposits (pledged)	51,900	38,000	–	–
Cash and cash equivalents	125,552	113,628	–	–
	<u>677,349</u>	<u>603,842</u>	<u>234,572</u>	<u>234,844</u>
Total assets	<u>2,031,486</u>	<u>2,002,434</u>	<u>1,050,072</u>	<u>1,050,344</u>
Current Liabilities				
Trade and other payables	25,191	19,296	–	–
Amount due to directors	301	258	301	227
Amount due to subsidiaries	–	–	14,847	11,449
Other liabilities	13,420	14,777	732	1,789
Bills payable to bank	93,000	86,000	–	–
Short term bank loans	171,000	120,500	–	–
Provisions	18,739	18,739	–	–
Income tax payable	2,015	1,703	–	–
	<u>323,666</u>	<u>261,273</u>	<u>15,880</u>	<u>13,465</u>
Net Current Assets	353,683	342,569	218,692	221,379
Non-current Liabilities				
Deferred tax liabilities	19,350	19,350	–	–
Net Assets	<u>1,688,470</u>	<u>1,721,811</u>	<u>1,034,192</u>	<u>1,036,879</u>
Equity				
Share capital	466,867	466,867	466,867	466,867
Share premium	581,487	581,487	581,487	581,487
Reserve fund	159,947	159,947	–	–
Restructuring reserve	(98,858)	(98,858)	–	–
Translation reserve	(28,773)	(25,948)	–	–
Accumulated profits/(losses)	607,800	638,316	(14,162)	(11,475)
Total Equity	<u>1,688,470</u>	<u>1,721,811</u>	<u>1,034,192</u>	<u>1,036,879</u>
Total equity and liabilities	<u>2,031,486</u>	<u>2,002,434</u>	<u>1,050,072</u>	<u>1,050,344</u>

Note A: Analysis of prepayments

	Group		Company	
	Unaudited 30-Sept-10 RMB'000	Audited 31-Dec-09 RMB'000	Unaudited 30-Sept-10 RMB'000	Audited 31-Dec-09 RMB'000
Non-current				
Prepayments for property, plant and equipment and land use rights	75,000	137,000	—	—
Current				
Advances to suppliers	97,074	72,246	—	—
Prepaid operating expenses	31	138	31	138
	97,105	72,384	31	138
Total prepayments	172,105	209,384	31	138

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 2010		As at 31 December 2009	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
264,000	—	206,500	—

Amount repayable after one year

As at 30 September 2009		As at 31 December 2009	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
—	—	—	—

Details of any collateral

Short term bank loans

Short term bank loans are secured by corporate guarantees from Shandong Xinlong.

Bills payable to banks

Bills payable to banks are secured by short-term deposits of RMB51,900,000 (31 December 2009: RMB38,000,000) pledged to the issuing banks. They have an average maturity period of 180 days and are interest-free as long as repayments are made within the credit period granted.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

**UNAUDITED CONSOLIDATED CASHFLOW STATEMENT
FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2010**

	Group			
	Unaudited 3Q2010 3 Months RMB'000	Unaudited 3Q2009 3 Months RMB'000	Unaudited 3Q2010 9 Months RMB'000	Unaudited 3Q2009 9 Months RMB'000
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES				
(Loss)/profit before tax	(49,442)	(102,405)	(28,700)	(257,012)
<i>Adjustments for:</i>				
Depreciation of property, plant and equipment	29,460	28,553	88,052	78,322
Amortisation of land use rights and trademark	236	236	709	666
Interest expense	2,523	1,043	5,841	2,254
Interest income	(204)	(154)	(506)	(881)
Loss on disposal of property, plant and equipment	15,810	61	15,810	147
Operating (loss)/profit before working capital changes	(1,617)	(72,666)	81,206	(176,504)
<i>(Increase)/decrease in :</i>				
Inventories	(11,505)	22,004	(28,127)	(25,648)
Trade and other receivables	(55,281)	(31,796)	5,965	(18,480)
Prepayments	30,448	(11,154)	(24,721)	11,628
<i>Increase/(decrease) in :</i>				
Trade and other payables	476	(326)	8,695	545
Amount due to directors	45	3	43	(15,447)
Other liabilities	(864)	(441)	(1,357)	(2,112)
Bills payable to bank	73,000	86,000	7,000	69,000
Cash flows (used in)/generated from operations	34,702	(8,376)	48,704	(157,018)
Income taxes paid	(611)	-	(1,504)	(13,388)
Translation difference	(1,741)	(141)	(2,825)	658
Net cash generated from/(used in) operating activities	32,350	(8,517)	44,375	(169,748)
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES				
Purchase of property, plant and equipment and land use rights (Note B)	(61,007)	(77,374)	(63,716)	(113,621)
Interest income received	204	154	506	881
Net cash used in investing activities	(60,803)	(77,220)	(63,210)	(112,740)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES				
Proceeds from short term bank loans	101,000	89,000	171,000	120,500
Repayments of short term bank loans	(89,000)	(10,000)	(120,500)	(45,000)
Interest expense paid	(2,523)	(1,043)	(5,841)	(2,254)
Increase in bank deposits pledged	(41,900)	(38,000)	(13,900)	(24,500)
Net cash (used in)/generated from financing activities	(32,423)	39,957	30,759	48,746
NET(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(60,876)	(45,780)	11,924	(233,742)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	186,428	171,589	113,628	359,551
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note A)	125,552	125,809	125,552	125,809

Note A: Analysis of cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances and unpledged bank deposits. Cash and cash equivalents included in the consolidated statement of cash flows comprise the following balance sheet amounts:

	Group	
	Unaudited 30 Sep 10 RMB'000	Unaudited 30 Sep 09 RMB'000
Cash and bank balances	177,452	167,309
Bank deposits (pledged)	(51,900)	(41,500)
Cash and cash equivalents	<u>125,552</u>	<u>125,809</u>

Note B: Purchase of property, plant and equipment and land use rights

	Group			
	Unaudited 3Q2010 3 Months RMB'000	Unaudited 3Q2009 3 Months RMB'000	Unaudited 3Q2010 9 Months RMB'000	Unaudited 3Q2009 9 Months RMB'000
Aggregate cost of property, plant and equipment acquired	115,482	(126)	122,916	94,237
Aggregate cost of land use rights acquired	—	-	-	3,923
Less: Prepayments made in prior period	(132,000)	(80,000)	(137,000)	(166,000)
Less: Payable to creditors	(5,200)	(7,500)	(5,200)	(7,500)
Add: Prepayments made in current period	75,000	157,500	75,000	157,500
Add: Payments for prior year purchase	7,725	7,500	8,000	31,461
Net cash outflow for purchase of property, plant and equipment and land use rights	<u>61,007</u>	<u>77,374</u>	<u>63,716</u>	<u>113,621</u>

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.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THIRD QUARTER / NINE MONTHS ENDED 30 SEPTEMBER 2010**

The Group	Share capital RMB'000	Share premium RMB'000	Reserve fund RMB'000	Restructuring reserve RMB'000	Translation reserve RMB'000	Accumulated profits/(losses) RMB'000	Total shareholders' Equity RMB'000
Unaudited Period ended 30 September 2009							
At 1 January 2009	466,867	581,487	159,947	(98,858)	(25,511)	900,805	1,984,737
Total comprehensive loss for the period	–	–	–	–	658	(257,336)	(256,678)
At 30 September 2009	466,867	581,487	159,947	(98,858)	(24,853)	643,469	1,728,059
At 1 July 2009	466,867	581,487	159,947	(98,858)	(24,712)	745,874	1,830,605
Total comprehensive loss for the period	–	–	–	–	(141)	(102,405)	(102,546)
At 30 September 2009	466,867	581,487	159,947	(98,858)	(24,853)	643,469	1,728,059
Unaudited Period ended 30 September 2010							
At 1 January 2010	466,867	581,487	159,947	(98,858)	(25,948)	638,316	1,721,811
Total comprehensive loss for the period	–	–	–	–	(2,825)	(30,516)	(33,341)
At 30 September 2010	466,867	581,487	159,947	(98,858)	(28,773)	607,800	1,688,470
At 1 July 2010	466,867	581,487	159,947	(98,858)	(27,032)	657,553	1,739,964
Total comprehensive loss for the period	–	–	–	–	(1,741)	(49,753)	(51,494)
At 30 September 2010	466,867	581,487	159,947	(98,858)	(28,773)	607,800	1,688,470

	Share capital RMB'000	Share premium RMB'000	Accumulated loss RMB'000	Total shareholders' equity RMB'000
The Company				
Unaudited Period ended 30 September 2009				
At 1 January 2009	466,867	581,487	(7,559)	1,040,795
Total comprehensive loss for the period	—	—	(2,078)	(2,078)
At 30 September 2009	<u>466,867</u>	<u>581,487</u>	<u>(9,637)</u>	<u>1,038,717</u>
At 1 July 2009	466,867	581,487	(8,783)	1,039,571
Total comprehensive loss for the period	—	—	(854)	(854)
At 30 September 2009	<u>466,867</u>	<u>581,487</u>	<u>(9,637)</u>	<u>1,038,717</u>
Unaudited Period ended 30 September 2010				
At 1 January 2010	466,867	581,487	(11,475)	1,036,879
Total comprehensive loss for the period	—	—	(2,687)	(2,687)
At 30 September 2010	<u>466,867</u>	<u>581,487</u>	<u>(14,162)</u>	<u>1,034,192</u>
At 1 July 2010	466,867	581,487	(13,458)	1,034,896
Total comprehensive loss for the period	—	—	(704)	(704)
At 30 September 2010	<u>466,867</u>	<u>581,487</u>	<u>(14,162)</u>	<u>1,034,192</u>

Note:

Restructuring reserve

This represents the difference between the nominal value of shares issued by the Company in exchange for the nominal value of shares and capital reserve of subsidiaries acquired which is accounted for under “merger accounting”.

Translation reserve

The translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group’s presentation currency.

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 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.

Share capital	Group and Company Unaudited	
	Number of shares '000	Value S\$'000
Authorised:		
At beginning and end of period		
- 2,000,000,000 ordinary shares of S\$0.10 each	2,000,000	2,000,000
Issued and fully paid:		
At beginning and end of period		
- 930,000,000 ordinary shares of S\$0.10 each	930,000	93,000*

* Equivalent to RMB466,867,000.

There were no movements in the Company's authorised and issued and fully paid share capital during the nine months ended 30 September 2010.

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.

	Group and Company Unaudited	
	Number of shares '000	Value S\$'000
Issued and fully paid:		
At 31 December 2009 and 30 Sept 2010		
- 930,000,000 ordinary shares of S\$0.10 each	930,000	93,000*

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.

Not applicable.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited nor 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 consistently applied the same accounting policies and methods of computation in the Group's financial statements for the current reporting period as compared with the audited financial statements for the financial year ended 31 December 2009.

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.

Not applicable.

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.

	Group			
	Unaudited 3Q2010 3 Months	Unaudited 3Q2009 3 Months	Unaudited 3Q2010 9 Months	Unaudited 3Q2009 9 Months
(Loss)/Earnings per share (RMB cents)				
Basic and diluted	<u>(5.35)</u>	<u>(11.01)</u>	<u>(3.28)</u>	<u>(27.67)</u>

Basic (loss)/earnings per share is calculated by dividing the Group's net (loss)/profit attributable to shareholders for the financial period by the weighted average number of ordinary shares of 930,000,000 for 3Q2009 and 3Q2010.

Diluted earnings per share is not presented as there were no potential dilutive ordinary shares existing during the respective financial periods.

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:

- (a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	Unaudited 30 Sep 10	Audited 31 Dec 09	Unaudited 30 Sep 10	Audited 31 Dec 09
Net asset value per share (RMB cents)	<u>181.56</u>	<u>185.14</u>	<u>111.20</u>	<u>111.49</u>

Net asset value per share was calculated based on the shareholders' equity of the Group and the Company as at the end of the financial period/year and the issued share capital of 930,000,000 (31 December 2009: 930,000,000) ordinary shares of S\$0.10 each.

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 financial period reported on.

Financial results

Revenue

Revenue for 9M2010 increased by approximately 48.2% to approximately RMB940.6 million from approximately RMB634.6 million in 9M2009. The increase for 9M2010 was mainly due to increase in average selling prices of the Group's PU and microfiber synthetic leather products.

Our quantity sales for PU synthetic leather, microfiber synthetic leather and PMP are approximately 5.0 million square metres, 2.1 million metres and 2.3 million metres respectively. (3Q2009: 5.7 million square metres, 2.3 million metres and 2.6 million metres)

PU synthetic leather, microfibre synthetic leather and Pattern Moulding paper accounted for approximately RMB425.9 million, RMB374.4 million and RMB141.9 million (9M2009: RMB293.6 million, RMB234.0 million, RMB107.1 million) or 45.2%, 39.8% and 15.1% (9M2009: 46.3%, 36.9%, 16.8%) respectively of total revenue for 9M2010.

Approximately 36.0% (9M2009:18.9%) of our sales were from PLA and the government sector.

Gross Profit Margin

The Group's gross profit margin has increased by approximately 16.7% from (7.3%) in 9M2009 to 9.4% in 9M2010. The increase for 9M2010 was mainly due to increase in average selling prices of both PU and Microfibre products.

Our average selling price for PU synthetic leather, microfibre synthetic leather and PMP are approximately RMB25.1/sqm (3Q2009:RMB19.8/sqm), RMB53.5/m (3Q2009: RMB43.7/m) and RMB18.7/m (3Q2009: RMB18.0/m) respectively.

Compared with 2Q2010, our average selling price for PU synthetic leather and microfiber synthetic leather has dropped from RMB27.9/sqm to RMB25.1/sqm and RMB59.9/m to RMB53.5/m respectively. Our average selling price would have been much better, had it not been for the resignation of a significant number of staff, including some middle-level engineers since August 2010. Because of the loss of key personnel, we cannot produce our products with the required standards as demanded by the customers. As such, we have to provide a great discount to our customers and lower down our gross profit margin.

Operating Expenses

Selling and distribution expenses decreased by approximately RMB21.0 million or 58.1% from approximately RMB36.2 million in 9M2009 to approximately RMB15.1 million in 9M2010 mainly due to the decrease in advertising expenses, travelling expenses, entertainment expenses by approximately RMB5.6 million RMB5.9 million and RMB9.1 million respectively.

General and administrative expenses decreased by approximately RMB78.5 million or 44.7% from approximately RMB175.6 million in 9M2009 to approximately RMB97.1 million in 9M2010 mainly due to the decrease in research expenses of RMB90.9 million, allowance for obsolete inventories of RMB9.6 million, entertainment expenses of RMB3.7 million, travelling expenses of RMB1.8 million which were offset by the increase in depreciation expenses of RMB7.1 million increase in loss on disposal of fixed assets of RMB 15.8 million and increase in exchange gain of RMB1.9 million.

Financial expense increased by approximately RMB3.6 million or 159.1% from approximately RMB2.3 million in 9M2009 to approximately RMB5.8 million in 9M2010. This was offset by the interest earned from bank balances, which decreased from approximately RMB0.9 million in 9M2009 to RMB0.5 million in 9M2010.

Income Tax

Income tax increased by approximately RMB1.5 million or 460.5% from approximately RMB0.3 million in 3Q2009 to approximately RMB1.8 million in 3Q2010. The increase was due to the tax incurred as a result of Yantai Golden Sun's profit in 3Q2010. [Yantai Golden Sun was loss making in 3Q2009]. The tax rate for Yantai Golden Sun is 25%.

Net Loss

As a result of the above, the company made a loss of approximately RMB30.5 million in 9M2010 (9M2009: net loss of approximately RMB257.3 million).

Financial position

Non-Current Assets

As at 30 September 2010, non-current assets amounted to approximately RMB 1,354.1 million which comprised property, plant and equipment, land use rights and trademark, non-current prepayments and other receivable which relates to the non-current portion of finance lease receivable. Property, plant and equipment comprised mainly production buildings, office buildings and plant and machinery and construction-in-progress.

The carrying amount of property, plant and equipment as at 30 September 2010 increased by approximately RMB19.0 million or 1.6% from approximately RMB1,207.4 million as at 31 December 2009 to RMB1,226.4 million as at 30 September 2010 mainly due to the additions of training centres, auxiliary machines of PU and Microfibre and non-woven plant of approximately RMB122.9 million. The increase was offset by disposal of PU and Microfibre's auxiliary machineries of RMB15.8 million and depreciation expense of approximately RMB88.1 million.

Current Assets

As at 30 September 2010, current assets amounted to approximately RMB677.4 million which include inventories, trade and other receivables, prepayments, bank deposits (pledged) and cash and cash equivalents of approximately RMB116.5 million, RMB286.3 million, RMB97.1 million, RMB51.9 million and RMB125.6 million respectively. Bank deposits (pledged) relate to bank deposits pledged to banks for banking facilities granted to the Group.

Current assets increased by approximately 12.2% to RMB677.3 million as at 30 September 2010 from RMB603.8 million as at 31 December 2009. The increase in current assets was mainly due to increase in current prepayments made for advances to suppliers from approximately RMB72.3 million as at 31 December 2009 to RMB 97.1 million as at 30 September 2010 and the increase in inventories, mainly finished goods, in anticipation of more sales to be generated in 4Q2010. Trade and other

receivable balances slightly decreased from approximately RMB291.5 million as at 31 December 2009 to approximately RMB286.3 million as at 30 September 2010.

Average trade receivable turnover days improved from 89 days in FY2009 to 77 days in 9M2010. With the slight improvement in the global economy, we have seen faster repayment by customers. Average inventory turnover days have decreased by 2 days from 34 days in FY2009 to 32 days in 9M2010. This decrease was due to a more efficient inventory management.

Current Liabilities

As at 30 September 2010, current liabilities amounted to approximately RMB323.7 million which comprised trade and other payables, amount due to directors, other liabilities, bills payable to banks, short term bank loans, provisions and income tax payable of approximately RMB25.2 million, RMB0.3 million, RMB13.4 million, RMB93.0 million, RMB171.0 million, RMB18.7 million and RMB2.0 million respectively. The increase in bank loans by RMB50.5 million was due to increased bank borrowings to provide more internal funds for the company.

Average trade and bills payable turnover days have increased by 8 days from 25 days in FY2009 to 33 days in 9M2010. The increase in average trade and bills payable turnover days was due to longer credit period granted by trade suppliers, and bills payable facilities have been widely utilised in procuring of raw material. Bills payable to banks enable us to secure favourable pricing for our raw materials and improve our cost competitiveness.

Non-current Liabilities

The non-current liabilities represent the provision for deferred tax liabilities in respect of the Post-2008 undistributed profits of the Company's PRC subsidiaries of approximately RMB 19.4 million.

Cash flows

Operating activities

Operating cash outflows before working capital changes for 9M2010 amounted to RMB81.2 million. This was mainly due to loss before tax of RMB28.7 million with depreciation expense of RMB88.1 million added back. Net cash generated from operating activities for 9M2010 was mainly used to fund the increase in inventories of RMB28.1 million, increase in prepayment of RMB24.7 million and increase in other liabilities of RMB1.4 million. This was partially offset by a decrease in trade and other receivable of RMB 6.0 million and an increase in trade and other payables of RMB8.7 million and increase in bills payable of RMB7.0 million. Income taxes paid amounted to RMB1.5 million and translation differences increased by RMB2.8 million. Overall, net cash generated from operating activities for 9M2010 amounted to RMB44.4 million.

Investing activities

Cash outflow from investing activities during 3Q2010 amounting to approximately RMB63.2 million mainly relates to the purchase of property, plant and equipment of RMB63.7 million which were offset by the receipt of interest income of RMB0.5 million during the period.

Financing activities

During 9M2010, net cash generated from financing activities amounted to RMB30.8 million. This was mainly due to proceeds from short term bank loans of RMB171.0 million which was offset by repayment of short term bank loans of RMB120.5 million, increase in pledged deposit of RMB13.9 million and increase in interest expenses paid of RMB5.8 million.

Cash and cash equivalents increased by RMB12.0 million from RMB 113.6 million as at 31 December 2009 to RMB 125.6 million as at 30 September 2010.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

The current announcement results are in line with the profit guidance announcement made on 25 October 2010.

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.

Improvement works on our existing PU and Microfibre machines

This quarter, we've spent a total of RMB56 million on auxiliary machines for value-added, higher performance synthetic leather. Out of these, RMB33.8 million were for PU (including related improvement works on the plant's sewage systems, waterway and electrical works), and RMB 22.2 million for microfiber synthetic leather. These improvement works could partly replace the machineries disposed in this quarter

Update of Pattern Moulding paper

The Pattern Moulding Paper production lines are stable and accounted for approximately RMB141.9 million (9M2009: RMB107.1 million) in respect of total revenue for 9M2010. We will continue to increase marketing efforts to gain more acceptance for this product.

Update on non-woven machineries

Some machineries has arrived at our plant and we expect the remaining parts will arrive in 4Q2010. We expect the installation will be completed in 1Q2011 and production will commence in 2011.

In view of the above, we expect the capital expenditure for this year would amount to approximately RMB 95 million.

Further update on movement of staff

Due to the rapid rising cost of labour, inflation and competition of labour force in China, we lost significant number of staff and some front line managers since August. The directors of our company are very much concern on the recent incident of the loss of key personnel.

Management has since taken some measures, such as to collaborate with some Universities to secure the sources of labour, improving the monetary and non monetary benefits to our existing staff. Management has increased efforts to train the new recruits in order to meet the quality standards of the customers. We expect that a minimum of another three months is required for them to be fully equipped with the requisite skills and know-how. Management has also looked into the manufacturing workflows, methods and frequency of training of staff. We believe this will minimize impact to quality of products arising from workforce attrition in the future.

Since some of our products may not achieve the required quality standards in a short period of time, we expect the company will likely continue to incur a loss in 4Q2010.

Update on research expenditure on protective armour for the Armed Forces

The protective armour remains at R&D stage as we are still working on improvement to the prototype to achieve the required standard.

11. Dividend

(a) Current Financial Period Reported On

No dividend declared for the current financial period reported on.

(b) Corresponding Period of the Immediately Preceding Financial Year

Not applicable

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommendeded, a statement to that effect.

Not applicable.

13. Interested person transactions

There are no interested person transactions conducted under the shareholders' mandate pursuant to Rule 920.

BY ORDER OF THE BOARD

Name: Mr Li Wenheng

Designation: Director

Date: 11 November 2010

We, Li Wenheng and Li Changrui, being two directors of Sino Techfibre Limited (the "Company"), do hereby confirm on behalf of the Board of Directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Directors of the Company which may render the financial results for the quarter ended 30 September 2010 to be false or misleading all material respects. "

On behalf of the board of directors

Li Wenheng
Chief Executive Officer

Li Changrui
Deputy Chief Executive Officer

Date: 11 November 2010