



CHINA FIBRETECH LTD.

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

SUPPLEMENTAL INFORMATION IN RELATION TO THE DISPOSAL OF LAND LOCATED AT NO. 37 XINGDONG ROAD, XINGLIN DISTRICT, XIAMEN CITY, THE PEOPLE'S REPUBLIC OF CHINA FOR THE CONSIDERATION OF RMB48,689,000

*Unless otherwise defined, all capitalised terms used but not defined in this Announcement shall have the meanings ascribed to them in the announcement dated 5 August 2014 made by China Fibretech Ltd. (the “**Company**”, and together with its subsidiaries, collectively the “**Group**”) in relation to the disposal of the property and land located at No. 37 Xindong Road, Xinglin District, Xiamen City, China, owned by the Company's wholly owned subsidiary, ShiShi Simwa Knitting & Dyeing Co., Ltd.*

The Board of Directors of the Group refers to its announcement made on 5 August 2014 (the “**Announcement**”) in relation to a sale and purchase agreement entered into on 1 August 2014 (the “**SPA**”) for the Disposal of Land.

As indicated in the Announcement, a circular to Shareholders (the “**Circular**”), setting out, *inter alia*, the terms and details of the Disposal and the notice of the special general meeting (the “**SGM**”) will be despatched to Shareholders in due course.

The Company wishes to supplement the Announcement with further clarification and/or information, which will be provided in the Circular, set out as follows:

1. The Disposal of Land includes the land located at No.37 Xindong Road, Xinglin District, Xiamen City, China, with the land area of 62,625.6 square metres (the “**Land**”), together with the properties/ buildings situated on the Land (the “**Property**”), for the consideration of RMB48,689,000.
2. The independent valuer, Xiamen Xinheng Appraisal Consultant Co., Ltd. (the “**Valuer**”), which issued the Valuation Report, has a license or certificate approved and issued by the Ministry of Housing and Urban-Rural Development of the PRC, and the Valuer is also one of the recommended independent valuers as listed in the Xiamen government's website: http://www.xiamencredit.gov.cn/xygg/201401/t20140113_25142.htm.

3. The Current Market Value of RMB47,442,000 is assessed based on the combined value of the Land and Property for which no separate assessment on the valuation was carried out on the Land alone, as the properties/ buildings are valued together with the land on which they are situated, details of which are set out as follows:

Properties/ Buildings		Use	Year (Acquired)	Age (Years)	Built up area (M ²)	Market Value per M ² (RMB)	Total Market Value (RMB '00000)
Main building	主厂房	Industrial	1987	27	13,799.64	1,790	2,470.14
Complex building	综合楼	Industrial	1987	27	3,122.44	1,831	571.72
Sewage treatment station	污水处理站	Industrial	1987	27	460.23	1,607	73.96
Warehouse	综合仓库	Industrial	1987	27	4,912.20	1,709	839.49
Maintenance workshop	机修车间	Industrial	1987	27	686.11	1,750	120.07
Carpark garage	汽车库	Industrial	1987	27	450.09	1,539	69.27
Slivering workshop	制条车间	Industrial	1989	25	3,149.09	1,750	551.09
Cold storage station	冷冻站	Industrial	1987	27	314.88	1,539	48.46
Total					26,894.68		4,744.20

According to the Valuation Report, the valuation of the Land and Property was conducted on the basis of a combination of the following approaches:

- (i) the land datum value method (基准地价修正法): valuation based on benchmark land prices and correction coefficients in order to make sure there is no significant deviation of price from similar assets under the same conditions;
- (ii) the cost approach (成本逼近法): valuation based on the sum of basic costs (comprising cost of land and development cost of infrastructure, and also its corresponding profit and interest) and the corresponding economics benefits generated from the land use rights; and
- (iii) the cost approach (成本法): the replacement cost or reconstruction price, net of depreciation, in order to objectively estimate a reasonable price or valuation.

The acquisition price and book value of the Land and Property are set out as follows:

	Acquisition Price	Book Value (as at 31 July 2014)	Current Market Value
Land use right (Land value only)	RMB11,899,000	RMB8,592,000	RMB47,442,000
Property (Buildings and equipment)	RMB15,010,000	RMB7,705,000	

As at the date of this Announcement, 100% of the Land and Property is vacant.

4. As part of the rationale for the Disposal, the management expects that the local government will acquire the Land at a price lower than the Current Market Value, estimated to be no more than RMB30,000,000, based on the value of land used for industrial purposes. The standard price of industrial land is around RMB480 per square meter at Jimei region, in which the Xinglin district is located in, according to an online Guide to Investment in Xiamen provided by the Xiamen Municipal Bureau of Investment Promotion.¹ Based on this standard price, the value of the Land with the land area of 62,625.6 square metres would amount to approximately RMB30,060,288.
5. Apart from the condition precedent stated in the Announcement, the only other condition precedent is the payment of the balance consideration of RMB40,000,000, due within 10 working days upon obtaining approval from Shareholders, as set out in paragraph 3(i)(b) of the Announcement. The amount of the Deposit set out in paragraph 3(i)(a) of the Announcement has already been paid by the Buyer to the Seller on or before 6 August 2014.
6. As at 8 September 2014, the latest practicable date prior to the printing of the Circular, the issued and fully paid-up share capital of the Company is RMB135,704,000 comprising 448,609,625 ordinary shares excluding treasury shares. Upon completion of the Disposal, the issued and fully paid-up share capital of the Company will remain the same.
7. For the use of proceeds, the Company intends to utilise the proceeds from the Disposal for the purpose of financing the working capital of the Company. In addition, the Company will be looking for business diversification and may also utilise any of the proceeds from the Disposal that is surplus to current working capital requirements for financing business diversification. The Company is currently exploring various opportunities for business diversification which will provide a reasonable return and since there are no concrete investment plans at the current stage, the sales proceeds will be used to finance its working capital. Based on the Company's disclosure in its latest financial results announcement for the second quarter and half year ended 30 June 2014, the Company has a balance cash and cash equivalent of RMB408.612 million as at 30 June 2014. As the Company expects a challenging second half year of 2014 for its dyeing business, the management intends to utilise the proceeds for its working capital instead of distribution back to shareholders.
8. The documents relevant to the Disposal, including a copy of the SPA and the Valuation Report, are available for inspection at 143 Cecil Street, 17th Floor, GB Building, Singapore 069542, which is the address of the Company's local corporate secretarial firm, for a period of three (3) months from the date of the Announcement. The official registered address of the Company remains at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

¹This information is extracted from the following website: http://www.xiameninvest.com/tzzn/tzzn_EN/tzcb/tzcb/.

In the meantime, Shareholders are advised to refrain from taking any action in relation to their Shares which may be prejudicial to their interests until they or their advisers have considered the information and the recommendations to be set out in the Circular.

BY ORDER OF THE BOARD

Wu Xinhua
Executive Chairman and CEO

13 September 2014