CHINA FIBRETECH LTD.

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

PROPOSED INVESTMENT IN BO DAO ROAD CONSTRUCTION CO., LTD

1. INTRODUCTION

The board of directors (the "**Board**" or "**Directors**") of China Fibretech Ltd. (the "**Company**", together with its subsidiaries, referred to as the "**Group**") wishes to announce that it has on 28 March 2018 entered into a framework investment and cooperation agreement (the "**Agreement**") with Yibin Highway & Bridge Construction Co., Ltd ("**Yibin H&B**"), being a majority owned subsidiary of the Ding Neng Group and the representative of the existing equity holders (the "**Existing Equity Holders**") of Bo Dao Road Construction Co., Ltd (the "**Target Company**"), pursuant to which the Company or its subsidiary, has agreed to invest RMB 100 million and such subsidiary will obtain an aggregate of 90.91% equity stake in the Target Company (the "**Proposed Investment**") (see Section 3.1 below for the equity structure of the Target Company). Yibin H&B is 96.50% owned by Ding Neng Group and 3.50% owned by the Yibin City government.

2. INFORMATION RELATING TO YIBIN H&B, THE EXISTING EQUITY HOLDERS AND THE TARGET COMPANY

2.1 Information relating to Yibin H&B and the Existing Equity Holders

Yibin H&B was incorporated in the People's Republic of China on 5th April 1995 and has its registered office at Yibin City Cui Ping District Nan An East District Lv Ying Road Block 6, Level 3 Unit 6. Yibin H&B has a registered and paid-in capital of RMB 500 million and its legal representative is Mr. Yang Zuqiang.

Yibin H&B is principally engaged in the business of main contracting for construction of public roadworks, urban infrastructure building, building constructions, landscape design, sales and lease of construction machineries and materials.

Following the successful bid submitted by Yibin H&B on the Xingwen county rural road construction project on 24th November 2016, Yibin H&B, together with Xingwen County Mingde Investment Co., Ltd ("**XCMI**") and Xingwen County Development and Investment Co., Ltd ("**XCDI**"), incorporated the Target Company for the purpose of investing in and the construction of the Xingwen county rural road construction project. The said project is valued at RMB 550 million and involves the construction of 220 kilometres of rural roads comprising approximately 30 road parcels for the Xingwen county government, which commenced in the first quarter of 2017 and is expected to complete no later than end 2019. The Xingwen county government will make progressive payments of the construction costs with returns of 8.8% per annum within the next 10 years upon the completion of the construction of each road parcel. Presently, the Target Company has completed about 30% of construction works to date which is on schedule but has not completed any road transfer to the Xingwen county government.

XCMI was incorporated in the People's Republic of China on 22nd October 2013 and has a registered and paid-in capital of RMB 20 million. XCDI is principally engaged in the business of project investment management and consultancy. The shareholders of the company are Mr. Wen Hua Qin and Mr. Ding Ming De.

XCDI was incorporated in the People's Republic of China on 19th December 2012 and has a registered and paid-in capital of RMB 50 million. XCDI is principally engaged in the business of infrastructure development and public works investment. The sole shareholder of the company is the Finance Bureau of the Xingwen county government.

Each of Yibin H&B, XCMI and XCDI is an independent third party unrelated to any of the Directors and Controlling Shareholders (as defined in the listing rules of the Singapore Exchange Securities Trading Limited (the "**Listing Manual**")) of the Group.

2.2 Information relating to the Target Company

The Target Company was incorporated in the People's Republic of China on 13th January 2017 and has its registered address at 14-2-1 at Miaocheng Yinxiang, Gusong Town, Xingwen County, Yibin City, Sichuan Province. Its legal representative is Mr. Long Yuwu ("**Mr. Long**"). Upon the completion of the Proposed Investment, Mr. Long will be replaced by Mr. Eric Choo Han Kiat.

The Target Company is principally engaged in the business of road project construction, road project management, road project operation and road project maintenance.

As at the date hereof, the Target Company has a registered and paid-in capital of RMB 10 million, with the following equity structure:

Equity Holder	**Contributed Capital**	**Form of Capital Contribution**	**Equity Stake**
Yibin Highway & Bridge Construction Co., Ltd.	RMB 8,500,000	Cash	85%
Xingwen County Mingde Investment Co., Ltd	RMB 1,000,000	Cash	10%
Xingwen County Development and Investment Co., Ltd	RMB 500,000	Cash	5%
Total	RMB 10,000,000	Cash	100%

The above holders are the original equity holders of the Target Company since incorporation till the date hereof.

The net tangible asset value of the Target Company as at 31st January 2018 was approximately RMB10 million based on the latest unaudited financial report. No independent valuation was conducted on the Target Company for the purposes of the Proposed Investment.

3. PRINCIPAL TERMS AND CONDITIONS OF THE PROPOSED INVESTMENT

3.1 Equity Structure

Upon completion of the Proposed Investment, the equity structure of the Target Company will be as follows:

Equity Holder	**Contributed Capital**	**Form of Capital**	**Equity Stake**

		Contribution	
China Fibretech Ltd new subsidiary	RMB 100,000,000	Cash	90.91%
Yibin Highway & Bridge Construction Co., Ltd.	RMB 8,500,000	Cash	7.73%
Xingwen County Mingde Investment Co., Ltd	RMB 1,000,000	Cash	0.91%
Xingwen County Development and Investment Co., Ltd	RMB 500,000	Cash	0.46%
Total	RMB 110,000,000		100%

3.2 Investment Amount

The investment amount shall be RMB 100 million in cash (the "**Investment Amount**"). The Investment Amount was arrived at based on the amount of capital invested by all parties.

The Target Company intends to utilise the Investment Amount for the construction of the rural roads, further details as set out in Section 2.1 of this announcement.

The Company will utilise proceeds from the share placement announced by the Company on 7 May 2018 (the "**Proposed Placement**") to satisfy the Investment Amount.

3.3 Conditions

The completion of the Proposed Investment is conditional upon, *inter alia*, the satisfaction of the following conditions:

(a) Yibin H&B having obtained all approvals (including regulatory approvals from the Communications Bureau[1] and the People's Government of Xingwen County) required to effect the completion of the Proposed Investment;

(b) the Company and the Target Company having obtained all relevant corporate approvals (including shareholders' approval) in relation to the Proposed Investment; and

(c) all Equity Holders having waived their pre-emptive rights in respect of the equity stake acquired by the Company.

4. RATIONALE FOR THE PROPOSED INVESTMENT

The Proposed Investment is in line with the Group's strategic direction to expand its business to include investment in infrastructure projects. The Board believes that the business expansion will offer new business opportunities, provide the Company with additional revenue streams and improve its prospects, so as to enhance shareholder value.

[1] The Communications Bureau is a government agency that approves road projects in China.

5. FINANCIAL EFFECTS OF THE PROPOSED INVESTMENT

The financial effects of the Proposed Investment as set out below are for illustrative purposes only and do not necessarily reflect the actual results and financial position of the Group and the Company following completion of the Proposed Investment. The pro forma financial effects have been prepared based on the audited consolidated financial statements of the Group for FY2015 subject to the following assumptions:

(1) the financial effects of the Proposed Investment on the net tangible assets ("**NTA**") per share of the Company are computed assuming that the Proposed Investment had been completed on 31 December 2015;

(2) the financial effects of the Proposed Investment on the earnings per share ("**EPS**") of the Company are computed assuming that the Proposed Investment had been completed on 1 January 2015;

(3) the expenses in connection with the Proposed Investment have been disregarded; and

(4) the Proposed Share Split (as defined in the Company's announcement dated 7 May 2018) and the Proposed Placement (together with the Proposed Share Split, the "**Proposed Transactions**") were effected in FY2015 and the Proposed Investment took place after the Proposed Transactions had been completed.

5.1 Financial effects on NTA per share

	Before the Proposed Investment	**After the Proposed Investment**
NTA[(1)] (RMB$'000)	23,246	165,746
Number of shares ('000)	8,980	58,980
NTA per share (RMB)	2.59	2.81

5.2 Financial effects on EPS

	Before the Proposed Investment	**After the Proposed Investment**
Group profit/(loss) after tax (RMB$'000)	-464,497	-464,497
Number of shares ('000)	8980	58,980
EPS (RMB)	-51.73	-7.88

Note:

(1) Net Tangible Asset (NTA) refers to equity attributable to owners of the Company.

6. RELATIVE FIGURES COMPUTED ON THE BASES SET OUT IN RULE 1006 OF THE LISTING MANUAL IN RELATION TO THE PROPOSED INVESTMENT

The relative figures computed[(1)] on the bases of Rule 1006 of the Listing Manual in respect of the Proposed Investment are as follows:

Rule	**Bases of computation**	**Size of relative figure**
1006(a)	Net asset value of the assets being disposed of, compared with the Group's net asset value.	Not applicable. [(2)]
1006(b)	Net profits attributable to the assets	Nil.

	acquired, compared with the Group's net profits. (3)	
1006(c)	Aggregate value of consideration given, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares.(4)	56.12%
1006(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities in issue.	Not applicable.
1006(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil and gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	Not applicable.

Notes:

(1) The figures computed here are based on the audited results for the financial year ended 2015, which were announced by the Company on 13 November 2017.

(2) Rule 1006(a) of the Listing Manual is not applicable as no asset is being disposed of in the Proposed Investment.

(3) Under Rule 1002(3)(b) of the Listing Manual, "net profits" means profit or loss before income tax, minority interests and extraordinary items. The net profits attributable to the assets acquired of is nil as there are no net profits or net loss attributable to the Target Company since the Target Company has not completed any road transfer to the government and the expenses incurred by the Target Company during construction are work in progress, which will only be recognised with the revenue of the Target Company once the road transfer is completed. Compared with the Group's net profits of RMB -464,497 for the FY2015.

(4) Under Rule 1002(5) of the Listing Manual, the market capitalisation of the Company is determined by multiplying the number of shares in issue by the weighted average price of such shares transacted on the market day preceding the date of the Agreement. Notwithstanding the foregoing, as this transaction will only take place after the completion of the Proposed Placement, the market capitalisation of the Company for the purposes of this has been determined by multiplying 67,951,583 shares in issue by the weighted average price of such shares transacted immediately following the completion of the Proposed Placement. The aggregate value of consideration received is RMB100,000,000 (approximately S$22,000,000) compared with the Company's market capitalisation of S$39,200,000 (S$0.60 per share) as at the date immediately following the completion of the Proposed Placement.

As the relative figure computed on the bases set out in Rule 1006(c) of the Listing Manual exceeds 20%, the Proposed Investment constitutes a major transaction within the meaning of Rule 1014 of the Listing Manual. Accordingly, the Proposed Investment is subject to the approval of shareholders of the Company.

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDER IN THE PROPOSED INVESTMENT

None of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Investment.

8. SERVICE CONTRACT

No person is proposed to be appointed as a director of the Company in connection with the Proposed Investment. Accordingly, no service contract for such appointment is proposed to be entered into between the Company and any such person.

9. CIRCULAR TO SHAREHOLDERS

A circular containing further details on the Proposed Investment and enclosing a notice of extraordinary general meeting in connection therewith will be despatched to shareholders of the Company in due course.

10. DOCUMENTS FOR INSPECTION

A copy of the Agreement will be made available for inspection at 80 Robinson Road, #02-00, Singapore 068898 during normal business hours for a period of three (3) months from the date of this announcement.

BY ORDER OF THE BOARD

Lee Wei Hsiung
Company Secretary
Singapore
7 May 2018