



China Sky Chemical Fibre Co., Ltd.

(Registration No: CT-146759)

LAND RECOVERY AGREEMENT, FUND SUPERVISION AGREEMENT AND SUPPLEMENTAL AGREEMENT ENTERED INTO BY QINGDAO ZHONGDA CHEMICAL FIBRE COMPANY LIMITED

1. INTRODUCTION

The Board of Directors of China Sky Chemical Fibre Company Limited (the "Company") and its subsidiaries (the "Group") wishes to announce that its wholly-owned subsidiary, Qingdao Zhongda Chemical Fibre Company Limited ("Qingdao Zhongda") had on 10 October 2015 entered into a land recovery agreement ("Land Recovery Agreement") with Qingdao City Huangdao District Land Resources and Housing Authority ("Land Resources and Housing Authority") in relation to the land recovery of Qingdao Zhongda's current manufacturing plant which is located at No. 108 Xiangjiang Road, Economic and Technology Zone, Qingdao City, Shandong Province, PRC ("Current Land").

2. SALIENT TERMS OF THE LAND RECOVERY AGREEMENT

2.1 Land Location, Areas, Usage of Land and Ownership

Qingdao Zhongda will return the Current Land (including any building thereon) measuring approximately 59,960 square meters to Land Resources and Housing Authority by way of transfer, where it is an industrial land with the land certificate number of 200823672.

2.2 Compensation Amount

In consideration of returning of the Current Land to the Land Resources and Housing Authority, a sum of RMB263,674,221.00, being the total compensation amount ("Compensation"), will be paid to Qingdao Zhongda. The details of the Compensation are as follows:-

- a) Land compensation (土地补偿) – nil, as the land use right of the Current Land has expired on 19 March 2011;
- b) Building demolition compensation (房屋建筑物拆迁补偿) – RMB94,911,861.00
- c) Dismantling building structure compensation (构筑物拆迁补偿) - RMB11,548,969.00
- d) Machinery and equipment compensation (机器设备补偿) – RMB127,812,625.00
- e) Landscaping (绿化工程) – RMB1,794,422.00
- f) Subsidy for closure of operation (停产停业补助) – RMB25,442,060.00
- g) Subsidy for relocation (搬迁补助费) – RMB2,164,284.00

2.3 Land Delivery and Cancellation

2.3.1 Qingdao Zhongda shall return the original land certificate of the Current Land to Land Resources and Housing Authority within ten (10) days from the effective date of the Land Recovery Agreement.

2.3.2 Qingdao Zhongda shall apply for land certificate cancellation and returning the Current Land to Land Resources and Housing Authority subject to the following conditions:

- a) the Current Land (including any building thereon) is free from legal disputes, encumbrances, charges, etc;
- b) completion of land certificate cancellation procedure;
- c) all employees, machinery and equipment shall be moved out and Qingdao Zhongda shall ensure that the team of Land Resources and Housing Authority and its workers are able to access the Current Land freely;
- d) Qingdao Zhongda shall demolish all building, annex and facilities. In the event Qingdao Zhongda fails to complete the demolition within the stipulated time, Land Resources and Housing Authority shall have the right to dispose the building, annex and facilities; and
- e) Land Resources and Housing Authority shall have the right to reclaim the Current Land and cancel the land certificate in accordance with the terms and conditions of Land Recovery Agreement in the event Qingdao Zhongda fails to complete the land certificate cancellation within the stipulated time.

2.3.3 Qingdao Zhongda shall complete the relocation of manufacturing plant by 31 August 2018.

2.4 Payment Terms

Land Resources and Housing Authority will be responsible to facilitate the payment of compensation amount from Qingdao Municipal Finance Bureau to Qingdao Zhongda as follows:-

- a) a sum of RMB65,918,555.00, being 25% of the total compensation amount, to be paid to Qingdao Zhongda within fifteen (15) working days from the effective date of the Land Recovery Agreement;
- b) a sum of RMB65,918,555.00, being 25% of the total compensation amount, to be paid to Qingdao Zhongda upon obtaining approval for the commencement of construction work for new manufacturing plant on the new land;
- c) a sum of RMB79,102,266.00, being 30% of the total compensation amount, to be paid to Qingdao Zhongda upon completion of the first phase of construction work; and
- d) the remaining balance of RMB52,734,845.00, being 20% of the total compensation amount, to be paid to Qingdao Zhongda upon fulfilment of the conditions as stated in paragraph 2.3.3 above.

To ensure that the compensation amount is fully utilised for the construction of new manufacturing plant on the new land¹, the compensation amount will be deposited to a designated trust account which is jointly held by Land Resources and Housing Authority, Hongshiya Road Sub-District Office and Qingdao Zhongda and governed by Fund Governance Agreement². The designated trust account will be opened with Industrial & Commercial Bank of China, Qingdao Development Zone Branch.

Note:

1. The new land is located in Hongshiya Road, Huangdao District, Qingdao City. The Company had obtained shareholders' approval for the acquisition of new land in 30 November 2011. Please refer to the circular to shareholders dated 11 November 2011 for further details.

2. On 16 November 2015, Qingdao Zhongda entered into a supplemental agreement ("Supplemental Agreement") with Hongshiya Road Sub-District Office to supplement the Land Recovery Agreement and Fund Governance Agreement based on the following:

(a) Hongshiya Road Sub-District Office shall assist to complete the temporary water and electricity installation for the new land within 15 days after the execution of the Supplemental Agreement;

(b) Hongshiya Road Sub-District Office shall assist Qingdao Zhongda to receive compensation promptly;

(c) Hongshiya Road Sub-District Office shall assist Qingdao Zhongda to complete formalities and procedures for construction and operation;

(d) Qingdao Zhongda shall apply for the compensation based on the Land Recovery Agreement and Fund Governance Agreement;

(e) Qingdao Zhongda shall produce a detailed construction progress schedule and ensure that relocation be completed before 31 August 2018.

3. DIRECTORS' INTERESTS

None of the directors or substantial shareholders of the Company has any interest, direct or indirect, in the Land Recovery Agreement.

The Company will make the necessary announcements as and when there are material developments on the above matters.

By Order of the Board

Song Jiansheng
Executive Director
17 November 2015