

**UPDATE ON CHANGE OF LEGAL REPRESENTATIVES OF THE PRINCIPAL INDIRECT  
WHOLLY-OWNED SUBSIDIARIES**

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The Board of Directors (“**Board**”) of China Sky Chemical Fibre Co., Ltd (the “**Company**”) refers to the announcement made by the Company on 10 February 2017 with regards to the proposed change of legal representatives of its principal indirect wholly-owned subsidiaries (“**Announcement**”). Unless otherwise defined herein, all capitalised terms and references used in the Announcement shall have the same meanings as ascribed to them in this announcement.

After more than 2 months of tremendous efforts by the Chairman of the Company, Mr He Zhidong (“Mr He”) and the team of legal advisors coupled with the support from the local authorities, the Company is pleased to announce that it has successfully changed its legal representative of its wholly-owned indirect subsidiary, Qingdao Zhongda Chemical Fibre Company Limited (“**青岛中达化纤有限公司**”) (“**Zhongda**”) to Mr He with effect from 12 April 2017.

The Company is now evaluating the status of Zhongda. From the available financial statements, Zhongda has become insolvent as at end of 2016. It was disclosed that there were outstanding payments in salary, social security and provident fund amounting to more than RMB6 million. In addition, according to the court document issued by the Quanzhou City Intermediate People’s Court (“**泉州市中级人民法院**”), Zhongda has been pledged as security mortgage to a loan amounting to approximately RMB790 million made by the Company’s indirect subsidiary, Quanzhou Tianyu Chemical Fiber & Weaving Industry Co., Ltd (“**泉州天宇化纤织造实业有限公司**”) (“**Tianyu**”), and a company related to Zheng KaiSu, a director of the Company and legal representative of Tianyu.

The Company has also been notified that the employees of Tianyu had recently staged a protest outside the office of Quanzhou Licheng District Government (“**泉州市鲤城区政府**”) against Tianyu for outstanding payments in salary and health insurance and also against the successful auction of Tianyu’s properties and machineries.

The Company is currently dealing with the welfare and emotional situation of the staff and management team and to better understand the current status of Zhongda. It will continue engaging with the local authorities and conduct investigations into the Company’s affairs. In addition, the Company and its wholly-owned subsidiaries, Winburg Company Ltd and Deluxe Dragon International Limited, have authorised Mr He to attend to the affairs of Zhongda including to proceed with the investigation of the matters surrounding Zhongda and to take the necessary legal actions against those responsible for the fraudulent and/or unauthorised use of the Group’s funds.

The Company will keep shareholders informed of any further developments and will make such further announcements as and when appropriate.

**BY ORDER OF THE BOARD**

He Zhidong  
Chairman

18 April 2017