

REDUCTION AND TEMPORARY SUSPENSION OF PRODUCTION LINES

The Board of Directors (“**Board**”) of China Sky Chemical Fibre Co., Ltd (the “**Company**”) wishes to announce that it has recently been informed by the management of its subsidiaries, namely, Quanzhou Tianyu Chemical Fiber & Weaving Industry Co., Ltd (“泉州天宇化纤织造实业有限公司”) (“**Tianyu**”), Tianjian Special Polymede Fibre Technology Fujian Co., Ltd (“天健特种锦轮科技（福建）有限公司”) (“**Tianjian**”) and Qingdao Zhongda Chemical Fibre Company Limited (“青岛中达化纤有限公司”) (“**Zhongda**”) of the following in relation to the Company’s production lines:

- (1) Tianyu and Tianjian have each reduced their production lines from 8 lines to 4 lines in April 2016 and production is currently suspended at Tianyu and Tianjian; and
- (2) Zhongda has reduced its production lines from 5 lines to 3 lines currently.

The management has cited the reduction of the above production lines due to the continuing weak demand of its products and also the deteriorating selling price. Reference is also made to the Company’s commentary on the operations outlook announced in its 1st quarter 2016 financial results released on 13 May 2016 whereby the management had stated that the macro environment outlook in 2016 is likely to continue to remain competitive and challenging, in view of the on-going uncertainties in the global economy; slowdown in the PRC economy and the fluctuation in crude oil prices. For the micro outlook, the management has expected the nylon market to continue to be a period of uncertainty in terms of downstream demand coupled with an oversupply of nylon products which will put further pressure on the average selling price of its nylon products in the 1st quarter of 2016.

As a result of the above and other developments of the Company which had been announced on 15 August 2016, the Board is assessing the current state of affairs of the Company which would have material impact on its 2nd Quarter 2016 and financial year ending 31 December 2016 financial results.

The Board will update shareholders of further development as and when appropriate.

Ling Yew Kong
Chief Executive Officer

16 August 2016