LI HENG CHEMICAL FIBRE TECHNOLOGIES LIMITED
(Incorporated in Bermuda)

Financial Statements and Dividend Announcement For the Six Months ended 30 June 2015

PART I - INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS

1(a) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Statement of Comprehensive Income

	Three months ended			Six months ended		
	30/06/2015 (Unaudited) RMB'000	30/06/2014 (Unaudited) RMB'000	Change	30/06/2015 (Unaudited) RMB'000	30/06/2014 (Unaudited) RMB'000	Change
Revenue	**533,041**	639,000	-16.6%	**1,074,727**	1,319,340	-18.5%
Cost of sales	**(518,328)**	(606,315)	-14.5%	**(1,041,947)**	(1,251,723)	-16.8%
Gross profit	**14,713**	32,685	-55.0%	**32,780**	67,617	-51.5%
Other income	**2,089**	2,229	-6.3%	**10,549**	5,587	88.8%
Selling and distribution expenses	**(6,507)**	(7,542)	-13.7%	**(13,024)**	(15,048)	-13.5%
Administrative expenses	**(21,297)**	(20,787)	2.5%	**(40,297)**	(40,530)	-0.6%
Operating (loss)/profit	**(11,002)**	6,585	NM	**(9,992)**	17,626	NM
Finance costs	**(1,483)**	(3,355)	-55.8%	**(4,624)**	(8,222)	-43.8%
(Loss)/Profit before income tax	**(12,485)**	3,230	NM	**(14,616)**	9,404	NM
Income tax expense	**-**	(993)	-100.0%	**(1,755)**	(1,846)	-4.9%
(Loss)/Profit for the period attributable to owners of the Company	**(12,485)**	2,237	-658.1%	**(16,371)**	7,558	-316.6%
Other comprehensive income for the period	**-**	-	NM	**-**	-	NM
Total comprehensive (loss)/income attributable to owners of the Company	**(12,485)**	2,237	NM	**(16,371)**	7,558	NM
(Losses)/earnings per share [2][3] -Basic (RMB cents)	**(3.67)**	0.66		**(4.82)**	2.22	

NM = Not Meaningful

Notes:

1. The Company was incorporated in Bermuda under the Companies Act 1981 of Bermuda on 7 September 2007 as an exempted company with limited liability. The Company adopted a secondary name, 力恒化纤科技有限公司, on 19 October 2007. The principal activity of the Company is investment holding.
2. The calculation of basic (losses)/earnings per share for the three months and six months ended 30 June 2014 and 2015 is based on the (loss)/profit attributable to owners of the Company and 340,000,000 ordinary shares in issue as at 30 June 2015.
3. Every five ordinary shares of the Company were consolidated into one ordinary share of the Company on 22 May 2015. The basic earnings per share for the three months and six months ended 30 June 2014 have been restated to illustrate what the basic earnings per share for the three months and six months then ended would have been if the Company's share consolidation had taken place during the three months and six months then ended.

The (loss)/profit before income tax is arrived at after charging / (crediting) the following:

	Three months ended			Six months ended		
	30/06/2015 (Unaudited) RMB'000	30/06/2014 (Unaudited) RMB'000	Change	30/06/2015 (Unaudited) RMB'000	30/06/2014 (Unaudited) RMB'000	Change
Interest income on bank deposits	(3,050)	(2,697)	13.1%	(6,233)	(5,587)	11.6%
Amortisation of land use rights	79	78	1.3%	157	157	0.0%
Depreciation of property, plant and equipment	84,243	83,906	0.4%	168,264	167,721	0.3%
Gain on disposal of long-term financial assets	-	-	NM	-	(68)	-100.0%
Exchange loss/(gain), net	1,002	1,318	-24.0%	(4,275)	918	NM
Interest charges on bank loans stated at amortised cost	1,483	3,355	-55.8%	4,624	8,222	-43.8%
Minimum lease payment under operating leases for leasehold buildings	1,612	1,635	-1.4%	3,228	3,233	-0.2%

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

Statements of Financial Position

	Group		Company	
	30/06/2015 (Unaudited) RMB'000	31/12/2014 (Audited) RMB'000	30/06//2015 (Unaudited) RMB'000	31/12/2014 (Audited) RMB'000
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	**2,165,385**	2,324,428	**-**	-
Land use rights	**12,794**	12,951	**-**	-
Interests in subsidiaries	**-**	-	**1,524,063**	1,524,063
Deposits paid for purchase of property, plant and equipment	**187**	246	**-**	-
	2,178,366	2,337,625	**1,524,063**	1,524,063
Current assets				
Inventories	**396,344**	268,751	**-**	-
Trade and bill receivables	**395,261**	376,833	**-**	-
Prepayments, deposits and other receivables	**17,672**	40,739	**-**	-
Amounts due from subsidiaries	**-**	-	**1,427,101**	1,429,886
Pledged deposits	**14,611**	5,377	**-**	-
Cash and bank balances	**1,160,869**	1,157,678	**2,550**	3,605
	1,984,757	1,849,378	**1,429,651**	1,433,491
Current liabilities				
Trade and bill payables	**110,619**	42,680	**-**	-
Accrued expenses and other payables	**39,888**	42,905	**6,428**	5,567
Amount due to a related party	**501**	501	**-**	-
Amounts due to directors	**6,467**	4,397	**5,518**	3,449
Bank loans	**182,662**	253,633	**-**	-
Provision for tax	**-**	3,530	**-**	-
	340,137	347,646	**11,946**	9,016
Net current assets	**1,644,620**	1,501,732	**1,417,705**	1,424,475
Net assets	**3,822,986**	3,839,357	**2,941,768**	2,948,538
EQUITY				
Equity attributable to owners of the Company				
Share capital	**862,991**	862,991	**862,991**	862,991
Reserves	**2,959,995**	2,976,366	**2,078,777**	2,085,547
Total equity	**3,822,986**	3,839,357	**2,941,768**	2,948,538

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 30/06/2015		As at 31/12/2014	
Secured	**Unsecured**	**Secured**	**Unsecured**
RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
168,557	14,105	235,499	18,134

Details of any collateral:

The Group's bank loans are secured by the following assets:-

	30/06/2015 RMB'000	**31/12/2014 RMB'000**
Time deposits	-	3,927
Leasehold buildings	497,859	522,851
Plant and machinery	241,409	269,309
Land use rights	12,794	12,951
Total	**752,062**	**809,038**

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

Consolidated Statement of Cash Flows

	Group Three months ended		Group Six months ended	
	30/06/2015 (Unaudited) RMB'000	30/06/2014 (Unaudited) RMB'000	30/06/2015 (Unaudited) RMB'000	30/06/2014 (Unaudited) RMB'000
Cash flows from operating activities				
(Loss)/Profit before income tax	**(12,485)**	3,230	**(14,616)**	9,404
Adjustments for:				
Amortisation of land use rights	**79**	78	**157**	157
Depreciation of property, plant and equipment	**84,243**	83,906	**168,264**	167,721
Gain on disposals of long term financial assets	**-**	-	**-**	(68)
Interest income	**(3,050)**	(2,697)	**(6,233)**	(5,587)
Unrealised exchange (gain)/loss	**(648)**	(277)	**616**	(1,512)
Interest expense	**1,483**	3,355	**4,624**	8,222
Operating profit before working capital changes	**69,622**	87,595	**152,812**	178,337
(Increase)/Decrease in inventories	**(78,207)**	(30,671)	**(127,593)**	55,195
(Increase)/Decrease in trade and bill receivables	**(31,845)**	9,965	**(18,428)**	40,150
Decrease/(Increase) in prepayments, deposits and other receivables	**30,478**	(41,984)	**23,067**	(32,057)
Increase/(Decrease) in trade and bill payables	**64,879**	(40,914)	**67,939**	(178,003)
Increase/(Decrease) in accrued expenses and other payables	**4,249**	(7,569)	**(2,972)**	(14,595)
Increase/(Decrease) in amounts due to directors	**1,035**	1,035	**2,070**	(2,761)
Cash generated from/(used in) operations	**60,211**	(22,543)	**96,895**	46,266
Income taxes paid	**(1,755)**	(3,355)	**(5,285)**	(8,222)
Interest paid	**(1,483)**	(853)	**(4,624)**	(5,637)
Net cash generated from/(used in) operating activities	**56,973**	(26,751)	**86,986**	32,407
Cash flows from investing activities				
Purchase of property, plant and equipment	**(98)**	(1,024)	**(8,409)**	(6,349)
Deposits paid for property, plant and equipment	**(374)**	(155)	**(798)**	(298)
(Increase)/Decrease in pledged deposits	**(9,233)**	5,446	**(9,234)**	12,577
Net proceeds from disposals of long-term financial assets	**-**	-	**-**	719
Interest received	**3,050**	2,697	**6,233**	5,587
Net cash (used in)/generated from investing activities	**(6,655)**	6,964	**(12,208)**	12,236
Cash flows from financing activities				
Proceeds of new bank loans	**45,955**	30,873	**149,230**	336,771
Repayments of bank loans	**(30,482)**	(125,144)	**(220,201)**	(420,453)
Net cash generated from/(used in) financing activities	**15,473**	(94,271)	**(70,971)**	(83,682)
Net increase/(decrease) in cash and cash equivalents	**65,791**	(114,058)	**3,807**	(39,039)
Cash and cash equivalents at beginning of period	**1,094,430**	1,059,019	**1,157,678**	982,765
Effect of foreign exchange rate changes on cash and cash equivalents	**648**	277	**(616)**	1,512
Cash and cash equivalents at end of period	**1,160,869**	945,238	**1,160,869**	945,238
Analysis of balances of cash and cash equivalents				
Cash and bank balances	**1,160,869**	945,238	**1,160,869**	945,238

MAJOR NON-CASH TRANSACTIONS

Out of the deposits paid during the three months ended 30 June 2015 and brought forward from the previous year, an amount of RMB857,000 (2014: RMB746,000) formed part of the additions of property, plant and equipment during the period then ended.

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

Statements of Changes in Equity

Group

	Share capital (Unaudited) RMB'000	Share premium* (Unaudited) RMB'000	Merger reserve* (Unaudited) RMB'000	Statutory reserves* (Unaudited) RMB'000	Retained earnings* (Unaudited) RMB'000	Total equity (Unaudited) RMB'000
At 1 January 2014	862,991	1,167,515	(378,487)	675,643	1,511,493	3,839,155
Profit for the period	-	-	-	-	5,321	5,321
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	5,321	5,321
Balance at 31 March 2014	**862,991**	**1,167,515**	**(378,487)**	**675,643**	**1,516,814**	**3,844,476**
Profit for the period	-	-	-	-	2,237	2,237
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	2,237	2,237
Balance at 30 June 2014	**862,991**	**1,167,515**	**(378,487)**	**675,643**	**1,519,051**	**3,846,713**
At 1 January 2015	862,991	1,167,515	(378,487)	679,477	1,507,861	3,839,357
Loss for the period	-	-	-	-	(3,886)	(3,886)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(3,886)	(3,886)
Balance at 31 March 2015	**862,991**	**1,167,515**	**(378,487)**	**679,477**	**1,503,975**	**3,835,471**
Loss for the period	-	-	-	-	(12,485)	(12,485)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(12,485)	(12,485)
Balance at 30 June 2015	**862,991**	**1,167,515**	**(378,487)**	**679,477**	**1,491,490**	**3,822,986**

* The consolidated reserves of the Group of approximately RMB2,959,995,000 (2014: RMB2,983,722,000) as presented in the Group's statement of financial position as at 30 June 2015 comprised these reserves.

Statements of Changes in Equity (continued)

Company

	Share capital (Unaudited) RMB'000	Share premium** (Unaudited) RMB'000	Contributed surplus** (Unaudited) RMB'000	Retained earnings** (Unaudited) RMB'000	Total equity (Unaudited) RMB'000
At 1 January 2014	862,991	1,167,515	835,536	96,678	2,962,720
Profit for the period	-	-	-	1,438	1,438
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	1,438	1,438
Balance at 31 March 2014	**862,991**	**1,167,515**	**835,536**	**98,116**	**2,964,158**
Loss for the period	-	-	-	(1,255)	(1,255)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(1,255)	(1,255)
Balance at 30 June 2014	**862,991**	**1,167,515**	**835,536**	**96,861**	**2,962,903**
At 1 January 2015	862,991	1,167,515	835,536	82,496	2,948,538
Loss for the period	-	-	-	(6,326)	(6,326)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(6,326)	(6,326)
Balance at 31 March 2015	**862,991**	**1,167,515**	**835,536**	**76,170**	**2,942,212**
Loss for the period	-	-	-	(444)	(444)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(444)	(444)
Balance at 30 June 2015	**862,991**	**1,167,515**	**835,536**	**75,726**	**2,941,768**

** The reserves of the Company of approximately RMB2,078,777,000 (2014: RMB2,099,912,000) as presented in the Company's statement of financial position as at 30 June 2015 comprised these reserves.

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

	Number of shares	Amount S$'000
Issued and fully paid:		
As at 31 December 2014, ordinary shares of S$0.10 each	**1,700,000,000**	**170,000**
As at 30 June 2015, ordinary shares of S$0.50 each	**340,000,000**	**170,000**

Every five ordinary shares of the Company were consolidated into one ordinary share of the Company on 22 May 2015 pursuant to the approval by shareholders of the Company at the Special General Meeting held on 29 April 2015.

The issued share capital of the Company as at 31 December 2014 and 30 June 2015 was equivalent to approximately RMB862,991,000.

There were no share options or convertibles outstanding that may be converted into the Company's shares as at 31 December 2014 and 30 June 2015.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year

	As at 30 June 2015	As at 31 December 2014
Total number of issued shares	340,000,000	1,700,000,000
Less: Treasury shares	-	-
Total number of issued shares excluding treasury shares	340,000,000	1,700,000,000

Every five ordinary shares of the Company were consolidated into one ordinary share of the Company on 22 May 2015 pursuant to the approval by shareholders of the Company at the Special General Meeting held on 29 April 2015.

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as a the end of the current financial period reported on

Not applicable. During the current financial period reported on and the immediately preceding financial year, the Company did not have any outstanding treasury shares.

2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)

The figures have neither been audited nor reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

Except as disclosed in item 5 below, the Group has adopted the same accounting policies and methods of computation as stated in the Group's audited financial statements for the year ended 31 December 2014.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

The Group adopted all the new and revised IFRSs that are relevant to the Group and are effective for annual periods beginning on or after 1 January 2015. Changes to the Group's accounting policies have been made as required.

The adoption of the new and revised IFRSs did not result in any substantial change to the Group's accounting policies nor will it have any significant impact on the financial statements.

6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	Group			
	Three months ended		Six months ended	
	30/06/2015 (Unaudited)	30/06/2014 (Unaudited)	30/06/2015 (Unaudited)	30/06/2014 (Unaudited)
(Losses)/Earnings per share (RMB cents)	**(3.67)**	0.66	**(4.82)**	2.22

The calculation of basic (losses)/earnings per share for the three months and six months ended 30 June 2014 and 2015 is based on the (loss)/profit attributable to owners of the Company and 340,000,000 ordinary shares in issue as at 30 June 2015.

Every five ordinary shares of the Company were consolidated into one ordinary share of the Company on 22 May 2015. The basic earnings per share for the three months and six months ended 30 June 2014 have been restated to illustrate what the basic earnings per share for the three months and six months then ended would have been if the Company's share consolidation had taken place during the three months and six months then ended.

There were no potential ordinary shares in existence for the three months and six months ended 30 June 2014 and 2015 and accordingly, no diluted (losses)/earnings per share has been presented.

7. Net asset value (for the issuer and group) per ordinary share based on the total issued shares excluding treasury shares of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year

	Group		Company	
	30/06/2015 (Unaudited)	31/12/2014 (Audited)	30/06/2015 (Unaudited)	31/12/2014 (Audited)
Net asset value per ordinary share (RMB)	11.24	11.29	8.65	8.67

Net asset value per ordinary share of the Group/Company was calculated based on the 340,000,000 ordinary shares in issue as at 30 June 2015.

Every five ordinary shares of the Company were consolidated into one ordinary share of the Company on 22 May 2015. Net asset value per ordinary share of the Group/Company as at 31 December 2014 have been restated to illustrate what the net asset value per ordinary share would have been if the Company's share consolidation had taken place as at 31 December 2014.

During the current financial period reported on and the immediately preceding financial year, the Company did not have any outstanding treasury shares.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

8.1 REVIEW OF PERFORMANCE

	Six months ended 30/06/2015 ("HY2015")		Six months ended 30/06/2014 ("HY2014")	
	RMB'000	**% to total**	**RMB'000**	**% to total**
Revenue				
Highly Oriented Yarn/Partially Oriented Yarn ("HOY/POY")	406,128	37.8%	486,132	36.8%
Fully Drawn Yarn ("FDY")	461,916	43.0%	589,226	44.7%
Drawn Textured Yarn ("DTY")	206,683	19.2%	243,982	18.5%
Total	1,074,727	100.0%	1,319,340	100.0%
Cost of Sales				
HOY/POY	397,386	38.1%	468,998	37.5%
FDY	443,845	42.6%	551,301	44.0%
DTY	200,716	19.3%	231,424	18.5%
Total	1,041,947	100.0%	1,251,723	100.0%
Gross Profit				
HOY/POY	8,742	26.7%	17,134	25.3%
FDY	18,071	55.1%	37,925	56.1%
DTY	5,967	18.2%	12,558	18.6%
Total	32,780	100.0%	67,617	100.0%
Gross Profit Margin				
HOY/POY	2.15%		3.52%	
FDY	3.91%		6.44%	
DTY	2.89%		5.15%	
Overall	3.05%		5.13%	

Revenue, Cost of Sales and Gross Profit

The Group's revenue decreased by RMB244.6 million or approximately 18.5% to RMB1,074.7 million in HY2015 from RMB1,319.3 million in HY2014. The decrease in revenue was mainly due to drops in average selling prices ("ASPs") of our nylon yarn products due to the continued overall decrease in market demand of nylon yarn products amid a soft economy in China and its overseas markets.

In HY2015, we saw decreases in ASPs of all of our products across the board. Overall ASPs of our nylon yarn products decreased from RMB23,620 per metric ton ("mt") in HY2014 to RMB19,110 per mt in HY2015, representing a decrease of approximately 19.1%. ASPs of our different nylon yarn products in HY2015 are as follows:

	HY2015 RMB	**HY2014 RMB**	**Change**
HOY/POY	18,176	22,550	-19.4%
FDY	18,840	23,620	-20.2%
DTY	22,046	26,120	-15.6%
Overall	19,110	23,620	-19.1%

In HY2015, our nylon yarn sales volume was approximately 56,200 mt, approximately 0.5% higher than the 55,900 mt sold in HY2014.

Due to decrease in cost of raw materials, cost of sales decreased by RMB209.8 million or approximately 16.8% to RMB1,041.9 million in HY2015 from RMB1,251.7 million in HY2014.

As a result of a drop in revenue and a disproportionate decrease in cost of sales, both our gross profit ("GP") and gross profit margin ("GPM") suffered a setback in HY2015. Our GP decreased by RMB34.8 million or 51.5% from RMB67.6 million in HY2014 to RMB32.8 million in HY2015. During the same period, we also saw a drop in GPM from 5.1% in HY2014 to 3.1% in HY2015.

Other income

Other income mainly represents interest income of RMB6.2 million and net exchange gain of RMB4.3 million in HY2015. This contrasts with interest income of RMB5.6 million in HY2014. In HY2014, we incurred a net exchange loss of RMB0.9 million, which was classified as an item under administrative expenses. The increase in interest income was due to higher average bank deposit balances maintained by the Group in HY2015 while the increase in net exchange gain in HY2015 was a result of a relatively strong RMB against the USD and the EUR and the increase in overseas raw material purchases in HY2015.

Selling and distribution expenses

Selling and distribution expenses decreased by RMB2.0 million or approximately 13.5% to RMB13.0 million in HY2015 from RMB15.0 million in HY2014 mainly on lower amount of sales, resulting in lower overall transportation costs and sales personnel commissions.

Administrative expenses

Administrative expenses, which include mainly such items as staff cost, depreciation and local levies and fees, decreased by RMB0.2 million or 0.6% to RMB40.3 million in HY2015 from RMB40.5 million in HY2014. The slight decrease was contributed by slight decreases in business traveling costs and other miscellaneous expenses.

Depreciation

Depreciation remained stable in HY2015 at RMB168.3 million compared to RMB167.7 million in HY2014. By comparison to HY2014, in HY2015, depreciation charge included in cost of production and selling and distribution expenses increased by approximately RMB0.8 million and RMB12,000 to RMB159.2 million and RMB178,000 respectively while depreciation charged to administrative expenses decreased by RMB0.2 million to RMB8.9 million in HY2015 from RMB9.1 million in HY2014.

Finance costs

Finance costs decreased by RMB3.6 million or approximately 43.8% to RMB4.6 million in HY2015 from RMB8.2 million in HY2014 mainly due to a lower level of average short term bank borrowings maintained by the Group in HY2015.

Taxation

PRC income tax is calculated based on the statutory income tax rate of 25% of the assessable income of Liheng (PRC) as determined in accordance with the relevant PRC income tax rules and regulations in the consolidated financial statements of the Group for the period under review.

The changes in effective tax rate of the Group are mainly due to the changes in the mix of profits/losses of the Company and its subsidiaries and the differences in treatment for certain expenses and incomes by different jurisdictions, including non-deductible expenses, non-taxable incomes and tax effect of intra-group income and expenses that are eliminated in the Group's consolidated financial statements.

The high effective tax rate in HY2015 (RMB1.7 million income tax expense on a loss before income tax of RMB14.6 million) was mainly a result of Liheng (PRC)'s incurrence of unrealized exchange gains from its loans from the Company that are denominated in the Singapore Dollar that had been relatively weak against the RMB. These intra-

group exchange gains (or losses to the corresponding subsidiary within the Group) were effectively eliminated in the Group's consolidated statement of comprehensive income. They were, however, taxable in calculation of the PRC income tax for Liheng (PRC) and were included in the Group's consolidated statement of comprehensive income as an income tax expense item. In contrast, the corresponding unrealized exchange losses and gains, as well as unrealized exchange gains and losses from revaluation of foreign currency deposits, bore no tax effect on the Company and its subsidiaries outside of the PRC in their respective tax jurisdictions.

8.2 CASH FLOW AND FINANCIAL POSITION REVIEW

Property, plant and equipment decreased by approximately RMB159.0 million or approximately 6.8% to RMB2,165.4 million as at 30 June 2015 ("End HY2015") from RMB2,324.4 million as at 31 December 2014 ("End FY2014"). The decrease represents mainly the net effect of depreciation charges in HY2015.

Inventories increased by RMB127.6 million or approximately 47.5% to RMB396.3 million at End HY2015 from RMB268.8 million at End FY2014 as we implemented our plan to gradually increase the inventory level of CPL to a reasonable level to ensure our production needs are met while controlling the impact of raw material price fluctuations and pressure on our cash flows.

Despite a 18.5% drop in revenue, trade and bill receivables increased by RMB18.4 million or approximately 4.9% to RMB395.3 million at End HY2015 from RMB376.8 million at End FY2014. As of End HY2015, approximately 60.8% (End FY2014: 65.8%) of our trade and bill receivable balances are within our allowable credit periods. Trade receivables that were past due were related to a number of long-term customers of the Group that had no history of default. However, due to the continued slowdown of the Chinese garment export sector, we have experienced more difficulties in chasing overdue trade balances from our customers in recent months. Management is keeping a very close eye on the situation and will take appropriate actions, legal or otherwise, to protect the Group's interests.

Prepayments, deposits and other receivables decreased by RMB23.1 million or approximately 56.6% to RMB17.7 million at End HY2015 from RMB40.7 million at End FY2014. The decrease represents mainly the net decrease of prepayments to our major material suppliers for CPL upon receipt of goods in transit as at End FY2014.

Trade and bill payables increased by RMB67.9 million or approximately 159.2% to RMB110.6 million at End HY2015 from RMB42.7 million as at End FY2014 mainly on the increase in raw material purchases in HY2015.

Accrued expenses and other payables decreased by RMB3.0 million or 7.0% to RMB39.9 million at End HY2015 from RMB42.9 million at End FY2014 mainly due to net payments value added tax and utility charges.

Amounts due to directors, representing accrued remuneration for the executive directors, increased by RMB2.1 million or 47.1% to RMB6.5 million at End HY2015 from RMB4.4 million at End FY2014. The increase represents accrued salary of the directors.

Bank loans decreased by RMB71.0 million or approximately 28.0% to RMB182.7 million at End HY2015 from RMB253.6 million at End FY2014. The Group intends to maintain external borrowings at approximately RMB200 million to RMB250 million to utilize its operating cash on hand more efficiently while reducing the costs of financing.

Despite a decrease in revenue and gross profit margin while incurring a net loss, the Group was able to maintain a stable and efficient financial position and liquidity in HY2015, thanks largely to the efficient use of our operating cash. Net current assets of the Group at End HY2015 amounted to approximately RMB1,644.6 million, representing an improvement of RMB142.9 million from the RMB1,501.7 million at End FY2014.

8.3 INTERESTED PERSON TRANSACTIONS

The Group had the following transactions with interested persons at agreed terms.

		Group Three months ended		Group Six months ended	
		30/06/2015 RMB'000	30/06/2014 RMB'000	30/06/2015 RMB'000	30/06/2014 RMB'000
Rental expense paid to Changle Liyuan Polyamide Enterprise Co. Ltd. (长乐力源锦纶实业有限公司) ("Liyuan")	(Note)	1,503	1,503	3,006	3,006

Note: Rental expenses paid to Liyuan, of which our Executive Directors, Mr Chen Jianlong, Mr Chen Siren, Mr Liu Qiguan and Mr Chen Zengfu have beneficial interests therein, was made with reference to the terms negotiated between the relevant parties.

8.4 KEY FINANCIAL RATIOS

	Three months ended		Six months ended	
	30/06/2015	30/06/2014	30/06/2015	30/06/2014
Inventory turnover days	**63**	57	**58**	61
Trade receivable turnover days	**65**	57	**65**	58
Trade payable turnover days	**17**	15	**18**	28
Return on equity, annualized	**-1.3%**	0.4%	**-0.9%**	0.4%
Return on assets, annualized	**-1.2%**	0.2%	**-0.8%**	0.2%
Net gearing ratio	**Net cash**	Net cash	**Net cash**	Net cash

Notes: Inventory turnover days improved by 3 days in HY2015 as compared to HY2014 as we maintained a relatively lower inventory level aiming to use our operating cash more efficiently and the general decline in raw material costs during the period. In the long run, however, we target to slightly increase the inventory level of CPL to ensure our production needs are met.

Trade receivable turnover days deteriorated by 7 days in HY2015 as compared to HY2014 as we experienced certain delays in payments by some of our customers. Although there is yet to be any defaults from our customers, we have experienced more difficulties in chasing overdue trade balances from certain customers in recent months. Management is keeping a very close eye on the situation and will take appropriate actions, legal or otherwise, to protect the Group's interests.

Trade payable turnover days improved by 10 days in HY2015 as compared to HY2014 as we utilized certain short-term banking facilities and operating cash to settle our suppliers in a timelier manner amid a decrease in purchases in HY2015 as a result of decreases in raw material costs.

Return on equity and return on assets are both negative in HY2015 as we incurred a loss during the period.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

Not applicable.

10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

Outlook

Anti-dumping tariffs on Polyamide chips and Caprolactam:

CPL imported from the United States and the European Union nations is subject to anti-dumping tariffs at rates ranging from 2.2% to 25.5% for a period of five years from October 2011 to October 2016.

Currently, all of our CPL purchases are procured from suppliers not subject to the anti-dumping tariffs. Accordingly, the impact of the CPL tariffs on the Group's overall cost and cash flows is expected to be immaterial.

PA chips self-sufficiency:

We currently operate two PA chip production plants. With an annual capacity of approximately 170,000 mt, we are self-sufficient in PA chips for production of our nylon yarn products, thus reducing our reliance on outside supplies and enabling us to control cost and quality of our raw materials more effectively. The self-sufficiency also excludes us from the anti-dumping tariffs imposed by the Chinese government on PA Chips imported from certain overseas markets.

Looming global economic uncertainties:

We expect 2015 continue to be a year of uncertainty in terms of downstream demand and the overall global economic climates as signs of further slowdown in growth from the emerging markets, including China having started to show in the first few months of the year. Our downstream customers have been experiencing setbacks in orders, both from overseas and domestic markets, and selling price cuts which will undoubtedly trigger a chain reaction and affect operators like Li Heng as upstream suppliers of nylon yarns. As discussed in item 8.2 above, we are particularly mindful about the situation of our trade receivables due to the continued worsening of the overall economy in China. Our goal for the year ahead is to manage our operating cash effectively and efficiently to maintain a healthy liquidity position. Albeit the uncertain and difficult operating environment, we believe Li Heng is in good position to weather the storm of challenges ahead with our strong and efficient financial position and liquidity, as well as our well-established long-term relationship with our customers and suppliers.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No dividend has been declared or recommended for the six months ended 30 June 2015.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

(c) Date Payable

Not applicable.

(d) Books Closure Date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect

No dividend has been declared or recommended for the six months ended 30 June 2015.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group is not required to obtain a general mandate from shareholders for its current IPTs (see item 8.3 above).

14. Negative confirmation pursuant to Rule 705(5)

We, Chen Jianlong and Chen Feng, being two of the directors of LI HENG CHEMICAL FIBRE TECHNOLOGIES LIMITED (the "Company"), do hereby confirm on behalf of the directors of the Company, that, to the best of our knowledge, nothing has come to the attention of the board of directors of the Company which may render the financial results of the Company and of the Group for the half year ended 30 June 2015 to be materially false or misleading.

BY ORDER OF THE BOARD

Chen Jianlong
Executive Chairman
13 August 2015