



China Sky Chemical Fibre Co., Ltd.
 (Co. Reg. No CT-146759)
 (Incorporated in the Cayman Islands)

**FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT
 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (“FY2014”)**

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

1(a)(i) An income statement and statement of comprehensive income, or 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

	Group		
	FY2014	FY2013	Change
	RMB'000	RMB'000	%
Revenue	2,082,635	1,987,665	4.78
Cost of sales	(1,966,335)	(2,004,057)	(1.88)
Gross profit/(loss)	116,300	(16,392)	NM
Other operating income	11,021	3,902	182.44
Distribution expenses	(12,659)	(12,405)	2.05
Administrative expenses	(40,909)	(42,274)	(3.23)
Other operating expenses	(955)	(883)	8.15
Profit/(Loss) before income tax	72,798	(68,052)	NM
Income tax expense	-	-	-
Profit/(Loss), representing total comprehensive income/(loss) for the year attributable to owners of the Company	72,798	(68,052)	NM

NM: Not meaningful.

1. (a) (ii) Other profit and loss items disclosure.

	Group		
	2014	2013	Change
	RMB'000	RMB'000	%
The following items were charged/(credited) to the consolidated statement of comprehensive income:-			
Depreciation expense	97,972	101,552	(3.53)
Foreign exchange (gain)/loss	(315)	1,026	NM
Interest income	(8,253)	(3,518)	134.59
Amortisation of land use rights	2,171	2,171	-
Gain on disposal of property, plant and equipment	2,189	-	NM

NM: Not meaningful.

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	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets				
Cash and cash equivalents	594,308	267,393	47	30
Trade and other receivables	507,502	609,005	-	-
Inventories	67,326	122,500	-	-
	1,169,136	998,898	47	30
Non-current assets				
Investment in subsidiaries	-	-	330,127	330,127
Property, plant and equipment	1,219,055	1,317,330	-	-
Land use rights	97,189	99,360	-	-
Intangible assets	-	-	-	-
Trade and other receivables	-	-	899,231	904,115
Total non-current assets	1,316,244	1,416,690	1,229,358	1,234,242
Total assets	2,485,380	2,415,588	1,229,405	1,234,272
Current liabilities				
Trade and other payables	58,901	61,907	44,930	44,977
Current tax payable	3,829	3,829	-	-
	62,730	65,736	44,930	44,977
Non-current liability				
Deferred tax liabilities	7,902	7,902	-	-
Total liabilities	70,632	73,638	44,930	44,977
Equity attributable to equity holders of the Company				
Share capital	429,132	429,132	429,132	429,132
Share premium	768,145	768,145	768,145	768,145
Contribution surplus	117,747	117,747	117,747	117,747
Legal reserve	227,050	227,050	-	-
Share-based payments reserve	58,675	58,675	58,675	58,675
Accumulated profits/(losses)	813,999	741,201	(189,224)	(184,404)
Total equity	2,414,748	2,341,950	1,184,475	1,189,295
Total liabilities and equity	2,485,380	2,415,588	1,229,405	1,234,272

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

	Group			
	As at 31/12/2014		As at 31/12/2013	
	Secured	Unsecured	Secured	Unsecured
	RMB'000	RMB'000	RMB'000	RMB'000
Amount repayable in one year or less, or on demand	-	-	-	-
Amount repayable after one year	-	-	-	-

Details of any collaterals

Not applicable.

1. I 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	
	2014	2013
	RMB'000	RMB'000
<u>Cash flows from operating activities</u>		
Profit/(Loss) before income tax	72,798	(68,052)
Adjustments for :-		
Depreciation of property, plant and equipment	97,972	101,552
Amortisation of land use rights	2,171	2,171
Interest income	(8,253)	(3,518)
Gain on disposal of property, plant and equipment	(2,189)	-
Operating cash flows before movements in working capital	162,499	32,153
Trade and other receivables	101,503	146,281
Inventories	55,174	19,489
Trade and other payables	(3,006)	(23,441)
Cash generated from operations	316,170	174,482
Income tax paid	-	-
Net cash generated from operating activities	316,170	174,482
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment	(1,918)	-
Proceeds from disposal of property, plant and equipment	4,410	-
Interest received	8,253	3,518
Net cash generated from investing activities	10,745	3,518
Net increase in cash and cash equivalents	326,915	178,000
Cash and cash equivalents at beginning of the year	267,393	89,393
Cash and cash equivalents at end of the year	594,308	267,393

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	Share capital RMB'000	Share Premium RMB'000	Contri- bution surplus RMB'000	Legal reserve RMB'000	Share- based payment reserve RMB'000	Accumulat ed profits/(los ses) RMB'000	Total RMB'000
<u>Group</u>							
Balance at 1 Jan 2013	429,132	768,145	117,747	227,050	58,675	809,253	2,410,002
Total comprehensive loss for the year	-	-	-	-	-	(68,052)	(68,052)
Balance at 31 Dec 2013	429,132	768,145	117,747	227,050	58,675	741,201	2,341,950
Balance at 1 Jan 2014	429,132	768,145	117,747	227,050	58,675	741,201	2,341,950
Total comprehensive income for the year	-	-	-	-	-	72,798	72,798
Balance at 31 Dec 2014	429,132	768,145	117,747	227,050	58,675	813,999	2,414,748
<u>Company</u>							
Balance at 1 Jan 2013	429,132	768,145	117,747	-	58,675	(180,048)	1,193,651
Total comprehensive loss for the year	-	-	-	-	-	(4,356)	(4,356)
Balance at 31 Dec 2013	429,132	768,145	117,747	-	58,675	(184,404)	1,189,295
Balance at 1 Jan 2014	429,132	768,145	117,747	-	58,675	(184,404)	1,189,295
Total comprehensive loss for the year	-	-	-	-	-	(4,820)	(4,820)
Balance at 31 Dec 2014	429,132	768,145	117,747	-	58,675	(189,224)	1,184,475

- 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.**

Share capital

There were no changes in the Company's share capital since 30 September 2014 up to 31 December 2014. The share capital of the Company as at 30 September 2014 and 31 December 2014 is as below:-

	Number of shares	Issued and paid-up capital (RMB)
Issued and fully paid-up ordinary shares as at 30 September 2014 and 31 December 2014	814,576,470	429,132,000

Convertibles – share options

As at 31 December 2014, the number of options outstanding was 23,545,000 (31 December 2013: 23,545,000).

Date of grant of options	Exercise price per share	Number of share options			Exercise period
		Options outstanding at 31/12/2013	Options renounced / exercised / cancelled	Options outstanding at 31/12/2014	
01/09/2009	S\$0.32	23,545,000	-	23,545,000	28/08/2010 to 27/08/2019

There were no shares held as treasury shares as at 31 December 2013 and 31 December 2014 and the Company does not have other outstanding convertibles as at 31 December 2013 and 31 December 2014.

- 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.**

The total number of issued ordinary shares excluding treasury shares of the Company as at 31 December 2013 and as at 31 December 2014 were 814,576,470.

There were no shares held as treasury shares as at 31 December 2013 and 31 December 2014 .

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

Not applicable. The Company did not have treasury shares during and as at the end of the current financial period reported on.

- 2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by the Company's auditor.

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

Saved as disclosed in Paragraph 5 of this announcement, the Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as those used in the most recently audited annual financial statements for the financial year ended 31 December 2013.

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.

In the current reporting period, the Group adopted all of the new or revised standards and interpretations issued by the International Accounting Standards Board (the “IASB”) and the International Financial Reporting Interpretations Committee (the “IFRIC”) of the IASB that are relevant to its operations and are effective for the first-time adoption during the current financial year. The adoption of these new and revised standards and interpretations has no material impact on the accounting policies and financial statements of the Group.

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

Earnings per ordinary share (“EPS”) for the current period after deducting any provision for preference dividends if any:-	Group	
	Year ended 31/12/2014	Year ended 31/12/2013
Profit/(Loss) attributable to equity holders of the Company	72,798,000	(68,052,000)
Weighted average number of ordinary shares	814,576,470	814,576,470
Profit/(Loss) per ordinary share (“EPS”) (Basic and diluted) (in RMB cents)	8.94	(8.35)

The basic and diluted EPS were the same as there were no potential dilutive ordinary shares outstanding as at 31 December 2014 and 31 December 2013. The outstanding share options granted under the China Sky Employees’ Share Option Scheme have not been included in the calculation of diluted EPS as they are anti-dilutive.

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

	Group		Company	
	Year ended 31/12/2014	Year ended 31/12/2013	Year ended 31/12/2014	Year ended 31/12/2013
Net asset value per ordinary share based on existing issued share capital as at the end of the period (in RMB cents)	296.44	287.51	145.41	146.00
No of ordinary shares	814,576,470	814,576,470	814,576,470	814,576,470

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group’s business. It must include a discussion of the following:-

8. (a) 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.

REVIEW OF CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Revenue

The Group’s revenue which comprised sale of Full Drawn Yarn/High Oriented Yarn and Drawn Texture Yarn increased by RMB 94.9 million or 4.8% from RMB 1,987.7 million for the financial year ended 31 December 2013 (“FY2013”) to RMB 2,082.6 million for the financial year ended 31 December 2014 (“FY2014”).

Full Drawn Yarn (“FDY”) / High Oriented Yarn (“HOY”) segment’s revenue increased RMB 83.6 million or 5.0% from RMB 1,677.9 million in FY2013 to RMB 1,761.5 million in FY2014.

Drawn Texture Yarn (“DTY”) segment’s revenue increased RMB 11.3 million or 3.6% from RMB 309.8 million in FY2013 to RMB 321.1 million in FY2014.

The increase in revenue was mainly due to increase in sales volume of both FDY/HOY and DTY revenue segment as compared to corresponding financial year ended 31 December 2013.

Cost of sales

Cost of sales of the Group decreased by RMB 37.8 million or 1.9% from RMB 2,004.1 million in FY2013 to RMB 1,966.3 million in FY2014.

The decrease was mainly due to lower raw materials price committed in advance with the supplier resulted lower cost as compared to FY2013.

Gross profit/(loss)

The Group generated a gross profit of RMB 116.3 million in FY2014 compared to the gross loss of RMB 16.4 million in FY2013.

Other Income Statement Items

Other operating income increased RMB 7.1 million from RMB 3.9 million in FY2013 to RMB 11.0 million in FY2014. The increase was mainly due to the increase in interest income as a result of higher bank deposits placed in financial institutions and gain on disposal of property, plant and equipment of RMB 2.2 million.

Profit/(Loss) before tax

In FY2014, the Group recorded an operating profit before tax of RMB 72.8 million (FY2013: operating loss before tax of RMB 68.1 million), an improvement of RMB 140.9 million.

Income tax expense

The Group has unabsorbed tax losses amounting to approximately RMB 161.8 million (2013 : RMB 212.2 million). These unabsorbed tax losses are subjected to agreement with the relevant tax authorities and can be carried forward for offsetting against future taxable income.

Current tax payable was provision made in prior year and yet to settle with the relevant tax authorities.

8. (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

REVIEW OF STATEMENTS OF FINANCIAL POSITION

Non-current assets

Carrying amount of property, plant and equipment decreased from RMB 1,317.3 million as at 31 December 2013 to RMB 1,219.1 million as at 31 December 2014. The decrease was mainly due to the annual depreciation charged on property, plant and equipment of RMB 98.0 million and gain on disposal of property, plant and equipment of RMB 2.2 million, offsetted by addition of property, plant and equipment of RMB 1.9 million during the current financial year.

Land use rights decreased from RMB 99.3 million as at 31 December 2013 to RMB 97.1 million as at 31 December 2014. The decrease in land use rights was mainly due to the amortisation expenses of RMB 2.2 million during the financial year.

Working capital

The working capital of the Group as at 31 December 2014 and as at 31 December 2013 is set out below:-

(RMB' million)	As at 31 December 2014	As at 31 December 2013
Total current assets	1,169.1	998.9
Total current liabilities	62.7	65.7
Working capital	1,106.4	933.2

The Group had positive working capital of RMB 1,106.4 million as at 31 December 2014, as compared to RMB 933.2 million as at 31 December 2013.

Current Assets

Trade and other receivables	As at 31 December 2014 (RMB'000)	As at 31 December 2013 (RMB'000)	Variance (RMB'000)	%
Trade receivables	253,414	259,347	(5,933)	(2.3)
Other receivables	254,088	349,658	(95,570)	(27.3)
	<u>507,502</u>	<u>609,005</u>	<u>(101,503)</u>	<u>(16.7)</u>

The decrease in other receivables was mainly due to

- the decrease in advance payment to suppliers for the purchase of raw materials of RMB 67.4 million
- Due to the sales was higher compare to the purchases during the current financial year, the VAT receivables as at 31 December 2013 has been fully utilised by the VAT payables from sales generated during the current financial year, an excess VAT payables of RMB 4.7 million had been reclassified to other payable

Inventories	As at 31 December 2014 (RMB'000)	As at 31 December 2013 (RMB'000)	Variance (RMB'000)	%
Raw materials	11,255	34,386	(23,131)	(67.3)
Finished goods	56,071	88,114	(32,043)	(36.4)
Total	<u>67,326</u>	<u>122,500</u>	<u>(55,174)</u>	<u>(45.0)</u>

The decrease in inventories was mainly due to lower purchases of raw materials for production as a result of continual drop in the price of raw materials. However, management will maintain a reasonable level of inventory to reduce the impact arising from the fluctuation of raw materials price and ensure the production needs are met.

Current liabilities

Trade and other payables	As at 31 December 2014 (RMB'000)	As at 31 December 2013 (RMB'000)	Variance (RMB'000)	%
Trade payables	5,613	20,597	(14,984)	(72.7)
Other payables	53,288	41,310	11,978	29.0
	<u>58,901</u>	<u>61,907</u>	<u>(3,006)</u>	<u>(4.9)</u>

The decrease in trade payables was mainly due to lower purchases of raw materials for production as a result of the continual drop in the price of raw materials.

The increase in other payables was mainly due to

- increase in the provision of social contributions and pension funds of RMB 7.2 million
- the value added tax ("VAT") payables of RMB 4.7 million which will be offsetted against subsequent purchases.

REVIEW OF CONSOLIDATED STATEMENT OF CASH FLOWS

In FY2014, the Group's net cash generated operating activities amounted to RMB 316.2 million. This was mainly due to cash inflows arising from decreases in trade and other receivables of RMB 101.5 million, decrease in inventories of RMB 55.2 million which was partially offset by decrease in trade and other payables of RMB 3.0 million.

Net cash generated from investing activities amounted to RMB 10.7 million in FY2014. This was mainly due to interest income of RMB 8.3 million received during the current financial year and proceeds from disposal of property, plant and equipment of RMB 4.4 million, partially offset by the purchase of property, plant and equipment of RMB 1.9 million.

Accordingly, there was a net increase of RMB 326.9 million in cash and cash equivalents has increased by RMB326.9 million, from RMB 267.4 million as at 31 December 2013 to RMB 594.3 million as at 31 December 2014.

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

The results for the financial year ended 31 December 2014 is in line with the Company's results announcement on 10 November 2014.

10. A commentary at the date of the announcement of the significant trends and 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.

The Group expects the raw material price and selling price to increase gradually when the China economy improves. Despite the oil price stabilises recently, the demand and price for our products remain low.. The Group will continue to monitor closely the raw material prices and demand to adjust its production mix for better return.

11. If a decision regarding dividend has been made:

(a) Whether an interim (Final) ordinary dividend has been declared (recommended); and

No.

(b) (i) Amount per share (cents)

Not applicable.

(b) (ii) Previous corresponding period (cents)

Not applicable.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of the shareholders, this must be stated)

Not applicable.

(d) The date the dividend is payable

Not applicable.

(e) 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.

13. Interested person transaction

The Group did not obtain a general mandate from shareholders for Interested Person Transactions (“IPTs”) and there are no IPTs during the current financial year under review.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

14. Segment revenue and results for operating segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

	FDY/HOY		DTY		Total	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Segment revenue	1,761,569	1,677,831	321,066	309,834	2,082,635	1,987,665
Segment results	62,462	(51,016)	15,817	(12,131)	78,279	(63,147)
Unallocated administrative expenses					(5,481)	(4,905)
Profit/(Loss) after income tax					72,798	(68,052)
Segment assets	2,238,819	2,122,813	245,955	291,654	2,484,774	2,414,467
Unallocated corporate assets					606	1,121
Total assets					2,485,380	2,415,588
Segment liabilities	53,379	57,835	7,818	6,335	61,197	64,170
Unallocated corporate liabilities					9,435	9,468
Total liabilities					70,632	73,638
Other information						
Depreciation and amortisation	85,706	87,987	14,437	15,736	101,143	103,723
Additions of property, plant and equipment	1,918	–	–	–	1,918	–
Gain on disposal of property, plant and equipment	(2,190)	–	1	–	(2,189)	–

15. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the operating segments.

See paragraph 8 above.

16. A breakdown of sales

GROUP	FY2014 RMB'000	FY2013 RMB'000	Increase/ (decrease) in %
(a) Sales reported for first half year	1,025,582	787,451	30.24
(b) Operating profit/(loss) after tax before deducting non-controlling interests reported for first half year	64,438	(52,885)	NM
(c) Sales reported for second half year	1,057,053	1,200,214	(11.93)
(d) Operating profit/(loss) after tax before deducting non-controlling interests reported for second half year	8,360	(15,167)	NM

NM denotes Not Meaningful Ratio

- 17. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.**

No dividend has been declared or recommended for the current financial year ended 31 December 2014 and the previous financial year ended 31 December 2013.

- 18. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.**

Pursuant to Rule 704(13) of the Listing Manual of Singapore Exchange Securities Trading Limited, the Board confirms that, to the best of our knowledge to date, there is no person occupying a managerial position in the Company, or in any of its principal subsidiaries, who is a relative of a Director or the Chief Executive Officer or a Substantial Shareholder of the Company.

**BY ORDER OF THE BOARD
CHINA SKY CHEMICAL FIBRE CO., LTD.**

**Song Jiansheng
Executive Director**

**Ye Changliu
Executive Director**

30 June 2015