LI HENG CHEMICAL FIBRE TECHNOLOGIES LIMITED
(Incorporated in Bermuda)

Financial Statements and Dividend Announcement For the Three Months ended 30 September 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			Nine months ended		
	30/09/2015 (Unaudited) RMB'000	**30/09/2014 (Unaudited) RMB'000**	**Change**	**30/09/2015 (Unaudited) RMB'000**	**30/09/2014 (Unaudited) RMB'000**	**Change**
Revenue	**442,840**	614,693	-28.0%	**1,517,567**	1,934,033	-21.5%
Cost of sales	**(433,517)**	(585,216)	-25.9%	**(1,475,464)**	(1,836,939)	-19.7%
Gross profit	**9,323**	29,477	-68.4%	**42,103**	97,094	-56.6%
Other income	**3,211**	7,462	-57.0%	**9,485**	12,131	-21.8%
Selling and distribution expenses	**(5,423)**	(7,162)	-24.3%	**(18,447)**	(22,210)	-16.9%
Administrative expenses	**(29,865)**	(20,262)	47.4%	**(65,887)**	(59,874)	10.0%
Operating (loss)/profit	**(22,754)**	9,515	NM	**(32,746)**	27,141	NM
Finance costs	**(2,889)**	(3,653)	-20.9%	**(7,513)**	(11,875)	-36.7%
(Loss)/Profit before income tax	**(25,643)**	5,862	NM	**(40,259)**	15,266	NM
Income tax expense	**-**	(3,295)	-100.0%	**(1,755)**	(5,141)	-65.9%
(Loss)/Profit for the period attributable to owners of the Company	**(25,643)**	2,567	NM	**(42,014)**	10,125	NM
Other comprehensive income for the period	**-**	-	NM	**-**	-	NM
Total comprehensive (loss)/income attributable to owners of the Company	**(25,643)**	2,567	NM	**(42,014)**	10,125	NM
(Losses)/earnings per share [2][3] -Basic (RMB cents)	**(7.54)**	0.76		**(12.36)**	2.98	

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 nine months ended 30 September 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 September 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 nine months ended 30 September 2014 have been restated to illustrate what the basic earnings per share for the three months and nine months then ended would have been if the Company's share consolidation had taken place during the three months and nine months then ended.

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

	Three months ended			Nine months ended		
	30/09/2015 (Unaudited) RMB'000	30/09/2014 (Unaudited) RMB'000	Change	30/09/2015 (Unaudited) RMB'000	30/09/2014 (Unaudited) RMB'000	Change
Interest income on bank deposits	(3,211)	(2,543)	26.3%	(9,444)	(8,130)	16.2%
Amortisation of land use rights	78	79	-1.3%	235	236	-0.4%
Depreciation of property, plant and equipment	83,633	82,272	1.7%	251,897	249,993	0.8%
Gain on disposal of long-term financial assets	-	-	NM	-	(68)	-100.0%
Exchange loss/(gain), net	10,096	(4,919)	NM	5,821	(4,001)	NM
Interest charges on bank loans stated at amortised cost	2,889	3,653	-20.9%	7,513	11,875	-36.7%
Minimum lease payment under operating leases for leasehold buildings	1,612	1,616	-0.2%	4,840	4,849	-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	
	30/09/2015 (Unaudited) RMB'000	31/12/2014 (Audited) RMB'000	30/09//2015 (Unaudited) RMB'000	31/12/2014 (Audited) RMB'000
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	**2,082,317**	2,324,428	**-**	-
Land use rights	**12,716**	12,951	**-**	-
Interests in subsidiaries	**-**	-	**1,524,063**	1,524,063
Deposits paid for purchase of property, plant and equipment	**-**	246	**-**	-
	2,095,033	2,337,625	**1,524,063**	1,524,063
Current assets				
Inventories	**401,194**	268,751	**-**	-
Trade and bill receivables	**441,305**	376,833	**-**	-
Prepayments, deposits and other receivables	**23,991**	40,739	**-**	-
Amounts due from subsidiaries	**-**	-	**1,424,220**	1,429,886
Pledged deposits	**9,353**	5,377	**-**	-
Cash and bank balances	**1,089,065**	1,157,678	**2,051**	3,605
	1,964,908	1,849,378	**1,426,271**	1,433,491
Current liabilities				
Trade and bill payables	**68,865**	42,680	**-**	-
Accrued expenses and other payables	**36,388**	42,905	**7,107**	5,567
Amount due to a related party	**501**	501	**-**	-
Amounts due to directors	**7,502**	4,397	**6,554**	3,449
Bank loans	**149,342**	253,633	**-**	-
Provision for tax	**-**	3,530	**-**	-
	262,598	347,646	**13,661**	9,016
Net current assets	**1,702,310**	1,501,732	**1,412,610**	1,424,475
Net assets	**3,797,343**	3,839,357	**2,936,673**	2,948,538
EQUITY				
Equity attributable to owners of the Company				
Share capital	**862,991**	862,991	**862,991**	862,991
Reserves	**2,934,352**	2,976,366	**2,073,682**	2,085,547
Total equity	**3,797,343**	3,839,357	**2,936,673**	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 30/09/2015		As at 31/12/2014	
Secured	**Unsecured**	**Secured**	**Unsecured**
RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
133,537	15,805	235,499	18,134

Details of any collateral:

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

	30/09/2015	**31/12/2014**
	RMB'000	**RMB'000**
Time deposits	-	3,927
Leasehold buildings	472,867	522,851
Plant and machinery	225,638	269,309
Land use rights	12,716	12,951
Total	**711,221**	**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 Nine months ended	
	30/09/2015 (Unaudited) RMB'000	30/09/2014 (Unaudited) RMB'000	30/09/2015 (Unaudited) RMB'000	30/09/2014 (Unaudited) RMB'000
Cash flows from operating activities				
(Loss)/Profit before income tax	**(25,643)**	5,862	**(40,259)**	15,266
Adjustments for:				
Amortisation of land use rights	**78**	79	**235**	236
Depreciation of property, plant and equipment	**83,633**	82,272	**251,897**	249,993
Gain on disposals of long term financial assets	**-**	-	**-**	(68)
Interest income	**(3,211)**	(2,543)	**(9,444)**	(8,130)
Unrealised exchange loss/(gain)	**720**	1,158	**1,336**	(354)
Interest expense	**2,889**	3,653	**7,513**	11,875
Operating profit before working capital changes	**58,466**	90,481	**211,278**	268,818
Increase in inventories	**(4,850)**	(72,827)	**(132,443)**	(17,632)
(Increase)/Decrease in trade and bill receivables	**(46,044)**	7,982	**(64,472)**	48,132
(Increase)/Decrease in prepayments, deposits and other receivables	**(6,319)**	26,184	**16,748**	(5,873)
(Decrease)/Increase in trade and bill payables	**(41,754)**	(1,180)	**26,185**	(179,183)
Decrease in accrued expenses and other payables	**(3,113)**	(1,477)	**(6,085)**	(16,072)
Increase/(Decrease) in amounts due to directors	**1,035**	1,035	**3,105**	(1,726)
Cash (used in)/generated from operations	**(42,579)**	50,198	**54,316**	96,464
Income taxes paid	**-**	(3,653)	**(5,285)**	(11,875)
Interest paid	**(2,889)**	(993)	**(7,513)**	(6,630)
Net cash (used in)/generated from operating activities	**(45,468)**	45,552	**41,518**	77,959
Cash flows from investing activities				
Purchase of property, plant and equipment	**(185)**	(44,001)	**(8,594)**	(50,350)
Deposits paid for property, plant and equipment	**(580)**	(32,141)	**(1,378)**	(32,439)
Decrease/(Increase) in pledged deposits	**5,258**	(1,208)	**(3,976)**	11,369
Net proceeds from disposals of long-term financial assets	**-**	-	**-**	719
Interest received	**3,211**	2,543	**9,444**	8,130
Net cash generated from/(used in) investing activities	**7,704**	(74,807)	**(4,504)**	(62,571)
Cash flows from financing activities				
Proceeds of new bank loans	**24,089**	85,260	**173,319**	422,031
Repayments of bank loans	**(57,409)**	(109,132)	**(277,610)**	(529,585)
Net cash used in financing activities	**(33,320)**	(23,872)	**(104,291)**	(107,554)
Net decrease in cash and cash equivalents	**(71,084)**	(53,127)	**(67,277)**	(92,166)
Cash and cash equivalents at beginning of period	**1,160,869**	945,238	**1,157,678**	982,765
Effect of foreign exchange rate changes on cash and cash equivalents	**(720)**	(1,158)	**(1,336)**	354
Cash and cash equivalents at end of period	**1,089,065**	890,953	**1,089,065**	890,953
Analysis of balances of cash and cash equivalents				
Cash and bank balances	**1,089,065**	890,953	**1,089,065**	890,953

MAJOR NON-CASH TRANSACTIONS

Out of the deposits paid during the three months ended 30 September 2015 and brought forward from the previous year, an amount of RMB1,624,000 (2014: RMB2,459,000) 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**
Profit for the period	-	-	-	-	2,567	2,567
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	2,567	2,567
Balance at 30 September 2014	**862,991**	**1,167,515**	**(378,487)**	**675,643**	**1,521,618**	**3,849,280**
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**
Loss for the period	-	-	-	-	(25,643)	(25,643)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(25,643)	(25,643)
Balance at 30 September 2015	**862,991**	**1,167,515**	**(378,487)**	**679,477**	**1,465,847**	**3,797,343**

* The consolidated reserves of the Group of approximately RMB2,934,352,000 (2014: RMB2,986,289,000) as presented in the Group's statement of financial position as at 30 September 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**
Loss for the period	-	-	-	(6,361)	(6,361)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(6,361)	(6,361)
Balance at 30 September 2014	**862,991**	**1,167,515**	**835,536**	**90,500**	**2,956,542**
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**
Loss for the period	-	-	-	(5,095)	(5,095)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(5,095)	(5,095)
Balance at 30 September 2015	**862,991**	**1,167,515**	**835,536**	**70,631**	**2,936,673**

** The reserves of the Company of approximately RMB2,073,682,000 (2014: RMB2,093,551,000) as presented in the Company's statement of financial position as at 30 September 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 September 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 September 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 September 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 September 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		Nine months ended	
	30/09/2015 (Unaudited)	30/09/2014 (Unaudited)	30/09/2015 (Unaudited)	30/09/2014 (Unaudited)
(Losses)/Earnings per share (RMB cents)	**(7.54)**	0.76	**(12.36)**	2.98

The calculation of basic (losses)/earnings per share for the three months and nine months ended 30 September 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 September 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 nine months ended 30 September 2014 have been restated to illustrate what the basic earnings per share for the three months and nine months then ended would have been if the Company's share consolidation had taken place during the three months and nine months then ended.

There were no potential ordinary shares in existence for the three months and nine months ended 30 September 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	
	30/09/2015 (Unaudited)	31/12/2014 (Audited)	30/09/2015 (Unaudited)	31/12/2014 (Audited)
Net asset value per ordinary share (RMB)	11.17	11.29	8.64	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 September 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

	Three months ended 30/09/2015 ("3Q2015")		Three months ended 30/09/2014 ("3Q2014")		Nine months ended 30/09/2015 ("9M2015")		Nine months ended 30/09/2014 ("9M2014")	
	RMB'000	% to total	RMB'000	% to total	RMB'000	% to total	RMB'000	% to total
Revenue								
Highly Oriented Yarn/Partially Oriented Yarn ("HOY/POY")	142,121	32.1%	230,634	37.5%	548,249	36.1%	716,766	37.1%
Fully Drawn Yarn ("FDY")	206,214	46.6%	281,462	45.8%	668,130	44.0%	870,688	45.0%
Drawn Textured Yarn ("DTY")	94,505	21.3%	102,597	16.7%	301,188	19.9%	346,579	17.9%
Total	442,840	100.0%	614,693	100.0%	1,517,567	100.0%	1,934,033	100.0%
Cost of Sales								
HOY/POY	140,490	32.4%	221,840	37.9%	537,876	36.4%	690,838	37.6%
FDY	200,404	46.2%	265,528	45.4%	644,249	43.7%	816,829	44.5%
DTY	92,623	21.4%	97,848	16.7%	293,339	19.9%	329,272	17.9%
Total	433,517	100.0%	585,216	100.0%	1,475,464	100.0%	1,836,939	100.0%
Gross Profit								
HOY/POY	1,631	17.5%	8,794	29.8%	10,373	24.6%	25,928	26.7%
FDY	5,810	62.3%	15,934	54.1%	23,881	56.7%	53,859	55.5%
DTY	1,882	20.2%	4,749	16.1%	7,849	18.6%	17,307	17.8%
Total	9,323	100.0%	29,477	100.0%	42,103	100.0%	97,094	100.0%
Gross Profit Margin								
HOY/POY	1.15%		3.81%		1.89%		3.62%	
FDY	2.82%		5.66%		3.57%		6.19%	
DTY	1.99%		4.63%		2.61%		4.99%	
Overall	2.11%		4.80%		2.77%		5.02%	

8.1.1 3Q2015 compared to 3Q2014

Revenue, Cost of Sales and Gross Profit

The Group's revenue decreased by RMB171.9 million or approximately 28.0% to RMB442.8 million in 3Q2015 from RMB614.7 million in 3Q2014. The decrease in revenue was mainly due to drops in average selling prices ("ASPs") and sales volume 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 3Q2015, we saw decreases in ASPs of all of our products across the board. Overall ASPs of our nylon yarn products decreased from RMB22,800 per metric ton ("mt") in 3Q2014 to RMB18,353 per mt in 3Q2015, representing a decrease of approximately 19.5%. ASPs of our different nylon yarn products in 3Q2015 are as follows:

	3Q2015 RMB	3Q2014 RMB	Change
HOY/POY	17,237	21,850	-21.1%
FDY	18,113	22,740	-20.3%
DTY	21,003	25,470	-17.5%
Overall	18,353	22,800	-19.5%

In 3Q2015, our nylon yarn sales volume was approximately 24,130 mt, approximately 10.5% lower than the 26,960 mt sold in 3Q2014.

Due to decreases in sales volume and cost of raw materials, cost of sales decreased by RMB151.7 million or approximately 25.9% to RMB433.5 million in 3Q2015 from RMB585.2 million in 3Q2014.

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 3Q2015. Our GP decreased significantly by RMB20.2 million or 68.4% from RMB29.5 million in 3Q2014 to RMB9.3 million in 3Q2015. During the same period, we also saw a drop in GPM from 4.8% in 3Q2014 to 2.1% in 3Q2015.

Other income

In 3Q2015, other income represents interest income of RMB3.2 million. This contrasts with interest income of RMB2.5 million and net exchange gain of RMB4.9 million in 3Q2014. In 3Q2015, we incurred a net exchange loss of RMB10.1 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 3Q2015 while exchange loss in 3Q2015 was a result of the depreciation of RMB against the USD and the EUR and the increase in overseas raw material purchases in 3Q2015.

Selling and distribution expenses

Selling and distribution expenses decreased by RMB1.8 million or approximately 24.3% to RMB5.4 million in 3Q2015 from RMB7.2 million in 3Q2014 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, increased by RMB9.6 million or 47.4% to RMB29.9 million in 3Q2015 from RMB20.3 million in 3Q2014. The increase was mainly attributable to the net exchange loss of RMB10.1 million incurred in 3Q2015. The Group had a net exchange gain of RMB4.9 million which was classified as an item under other income in 3Q2014.

Depreciation

Depreciation remained stable in 3Q2015 at RMB83.6 million compared to RMB82.3 million in 3Q2014. By comparison to 3Q2014, in 3Q2015, depreciation charge included in cost of production and administrative expenses increased by approximately RMB1.3 million and RMB0.1 million to RMB78.9 million and RMB4.7 million respectively while depreciation charged to selling and distribution expenses decreased by approximately RMB23,000 to approximately RMB73,000 in 3Q2015 from approximately RMB96,000 in 3Q2014.

Finance costs

Finance costs decreased by RMB0.8 million or approximately 20.9% to RMB2.9 million in 3Q2015 from RMB3.7 million in 3Q2014 mainly due to a lower level of average short term bank borrowings maintained by the Group in 3Q2015.

8.1.2 9M2015 compared to 9M2014

Revenue, Cost of Sales and Gross Profit

The Group's revenue decreased by RMB416.4 million or approximately 21.5% to RMB1,517.6 million in 9M2015 from RMB1,934.0 million in 9M2014. The decrease in revenue was mainly due to drops in ASPs and sales volume 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 9M2015, we saw decreases in ASPs of all of our products across the board. Overall ASPs of our nylon yarn products decreased from RMB23,360 per mt in 9M2014 to RMB18,880 per mt in 9M2015, representing a decrease of approximately 19.2%. ASPs of our different nylon yarn products in 9M2015 are as follows:

	9M2015 RMB	9M2014 RMB	Change
HOY/POY	17,920	22,320	-19.7%
FDY	18,610	23,330	-20.2%
DTY	21,710	25,920	-16.2%
Overall	18,880	23,360	-19.2%

In 9M2015, our nylon yarn sales volume was approximately 80,370 mt, approximately 3.0% lower than the 82,800 mt sold in 9M2014.

Due to decreases in sales volume and cost of raw materials, cost of sales decreased by RMB361.4 million or approximately 19.7% to RMB1,475.5 million in 9M2015 from RMB1,836.9 million in 9M2014.

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 9M2015. Our GP decreased significantly by RMB55.0 million or 56.6% from RMB97.1 million in 9M2014 to RMB42.1 million in 9M2015. During the same period, we also saw a drop in GPM from 5.0% in 9M2014 to 2.8% in 9M2015.

Other income

In 9M2015, other income represents mainly interest income of RMB9.4 million. This contrasts with interest income of RMB8.1 million and net exchange gain of RMB4.0 million in 9M2014. In 9M2015, we incurred a net exchange loss of RMB5.8 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 9M2015 while exchange loss in 9M2015 was a result of the depreciation of RMB against the USD and the EUR and the increase in overseas raw material purchases during the period, particularly in 3Q2015 when we incurred a net exchange loss of RMB10.1 million.

Selling and distribution expenses

Selling and distribution expenses decreased by RMB3.8 million or approximately 16.9% to RMB18.4 million in 9M2015 from RMB22.2 million in 9M2014 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, increased by RMB6.0 million or 10.0% to RMB65.9 million in 9M2015 from RMB59.9 million in 9M2014. The increase was mainly attributable to the net exchange loss of RMB5.8 million incurred in 9M2015. The Group had a net exchange gain of RMB4.0 million which was classified as an item under other income in 9M2014.

Depreciation

Depreciation remained stable in 9M2015 at RMB251.9 million compared to RMB250.0 million in 9M2014. By comparison to 9M2014, in 9M2015, depreciation charges included in cost of sales increased by approximately RMB2.1 million to approximately RMB238.1 million while depreciation charged to administrative expenses and selling and distribution expenses decreased by approximately RMB0.1 million and RMB11,000 to approximately RMB13.6 million and RMB251,000 respectively.

Finance costs

Finance costs decreased by RMB4.4 million or approximately 36.7% to RMB7.5 million in 9M2015 from RMB11.9 million in 9M2014 mainly due to a lower level of average short term bank borrowings maintained by the Group in 9M2015.

8.1.3 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.

As Liheng (PRC) incurred a loss in 3Q2015, no PRC income tax was levied during the said period. The high effective tax rate in 9M2015 (RMB1.8 million income tax expense on a loss before income tax of RMB40.3 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 RMB242.1 million or approximately 10.4% to RMB2,082.3 million as at 30 September 2015 ("End 9M2015") from RMB2,324.4 million as at 31 December 2014 ("End FY2014"). The decrease represents mainly the net effect of depreciation charges in 9M2015.

As cost of CPL started to stabilize in FY2015 after a fluctuating FY2014 when we intentionally reduce the inventory level of CPL in mitigating the risk of raw material price fluctuations and managing the pressure on our cash flows, we increased the purchases of CPL in 9M2015 to ensure sufficient raw materials we available for production. As a result:-

(i) Inventories increased by RMB132.4 million or approximately 49.3% to RMB401.2 million at End 9M2015 from RMB268.8 million at End FY2014. The quantity of CPL and finished goods at End 9M2015 represent approximately 30 days of our production need and sales volume by reference to 9M2015. As our raw materials and finished goods generally have expiration dates over one year from their dates of production, we are of the view that inventories at End 9M2015 did not show any indication of obsolescence; and

(ii) Trade and bill payables increased by RMB26.2 million or approximately 61.4% to RMB68.9 million at End 9M2015 from RMB42.7 million as at End FY2014.

Despite a 21.5% drop in revenue, trade and bill receivables increased by RMB64.5 million or approximately 17.1% to RMB441.3 million at End 9M2015 from RMB376.8 million at End FY2014. As of End 9M2015, approximately 57.6% (End FY2014: 65.8%) of our trade and bill receivable balances are within our allowable credit periods. Trade receivables that were past due amounted to approximately RMB40.8 million as at End 9M2015 and 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 RMB16.7 million or approximately 41.0% to RMB24.0 million at End 9M2015 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.

Accrued expenses and other payables decreased by RMB6.5 million or 15.2% to RMB36.4 million at End 9M2015 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 RMB3.1 million or 70.6% to RMB7.5 million at End 9M2015 from RMB4.4 million at End FY2014. The increase represents accrued salary of the directors.

Bank loans decreased by RMB104.3 million or approximately 41.1% to RMB149.3 million at End 9M2015 from RMB253.6 million at End FY2014. The Group intends to manage external borrowings below RMB200 million to utilize its operating cash on hand more efficiently while reducing the costs of financing.

The Group recorded a net cash outflows from its operating activities of RMB45.5 million in 3Q2015 due mainly to net operating loss, slower payments from customers and increase in payment to suppliers during the period. Despite a decrease in revenue and gross profit margin while incurring a net loss and net operating cash outflows, the Group was able to maintain a stable and efficient financial position and liquidity in 9M2015, thanks largely to the efficient use of our operating cash. Net current assets of the Group at End 9M2015 amounted to approximately RMB1,702.3 million, representing an improvement of RMB200.6 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 Nine months ended	
		30/09/2015 RMB'000	30/09/2014 RMB'000	30/09/2015 RMB'000	30/09/2014 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	4,509	4,509

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		Nine months ended	
	30/09/2015	30/09/2014	30/09/2015	30/09/2014
Inventory turnover days	**85**	68	**62**	68
Trade receivable turnover days	**87**	58	**74**	59
Trade payable turnover days	**19**	10	**12**	28
Return on equity, annualized	**-2.7%**	0.3%	**-1.5%**	0.4%
Return on assets, annualized	**-2.5%**	0.3%	**-1.4%**	0.3%
Net gearing ratio	**Net cash**	Net cash	**Net cash**	Net cash

Notes: Inventory turnover days decreased by 6 days in 9M2015 as compared to 9M2014 as we maintained a relatively lower average inventory level owing to price fluctuations on CPL during the period. We have however slightly increased the inventory level of CPL in 3Q2015 as price of CPL started to stabilize, resulting in an increase in overall inventory level and increase in inventory turnover days of 17 days as compared to 3Q2014.

Trade receivable turnover days deteriorated by 29 days and 15 days in 3Q2015 and 9M2015 as compared to 3Q2014 and 9M2014 respectively 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 increased by 9 days in 3Q2015 compared to 3Q2014 as we increased purchases of CPL in 3Q2015. Trade payable turnover days decreased by 16 days as compared to 9M2014 as we utilized certain short-term banking facilities and operating cash to settle our suppliers in a timelier manner amid a decrease in overall purchases in 9M2015 as a result of decreases in raw material costs.

Return on equity and return on assets were both negative in 3Q201 and 9M2015 as we incurred losses during the said periods.

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 the remainder of 2015 and early 2016 continue to be a period 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 nine months ended 30 September 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 nine months ended 30 September 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 Liu Qiguan, 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 third quarter financial results of the Company and of the Group for the financial period ended 30 September 2015 to be materially false or misleading.

15. Confirmation pursuant to Rule 720(1)

The Company confirms that it has procured undertakings to comply with the Listing Rules from all its directors and executive officers pursuant to Listing Rule 720(1).

BY ORDER OF THE BOARD

Chen Jianlong
Executive Chairman
10 November 2015