



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

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**FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT  
 FOR THE 3 MONTHS ENDED 31 MARCH 2014 (“1Q2014”)**

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**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**

	<b>Group</b>		
	<b>3 months ended</b>		
	<b>31/03/2014</b>	<b>31/03/2013</b>	<b>Change</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>%</b>
Revenue	380,342	376,224	1.09
Cost of sales	(354,361)	(390,656)	(9.29)
<b>Gross profit/(loss)</b>	<b>25,981</b>	<b>(14,432)</b>	<b>(280.02)</b>
Other operating income	479	992	(51.71)
Distribution expenses	(2,439)	(2,371)	2.87
Administrative expenses	(8,594)	(7,922)	8.48
Other operating expenses	(221)	(183)	20.77
<b>Profit/(Loss) before income tax</b>	<b>15,206</b>	<b>(23,916)</b>	<b>(163.58)</b>
Income tax expense	-	-	-
<b>Profit/(Loss) and total comprehensive income/(loss) for the period attributable to owners of the Company</b>	<b>15,206</b>	<b>(23,916)</b>	<b>(163.58)</b>

NM: Not meaningful.

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

	<b>Group 3 months ended</b>		<b>Change</b>
	<b>31/03/2014 RMB'000</b>	<b>31/03/2013 RMB'000</b>	<b>%</b>
The following items were charged/(credited) to the consolidated statement of comprehensive income:-			
Depreciation expense	25,216	35,887	(29.74)
Foreign exchange loss (net)	63	212	(70.28)
Interest income	(412)	(897)	(54.07)
Amortisation of land use rights	543	543	-

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	
	31/03/2014	31/12/2013	31/03/2014	31/12/2013
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Current assets</b>				
Cash and cash equivalents	525,757	267,393	30	30
Trade and other receivables	287,966	609,005	-	-
Inventories	225,741	122,500	-	-
	<b>1,039,464</b>	<b>998,898</b>	<b>30</b>	<b>30</b>
<b>Non-current assets</b>				
Investment in subsidiaries	-	-	330,127	330,127
Property, plant and equipment	1,292,114	1,317,330	-	-
Land use rights	98,817	99,360	-	-
Trade and other receivables	-	-	901,475	904,115
	<b>1,390,931</b>	<b>1,416,690</b>	<b>1,231,602</b>	<b>1,234,242</b>
<b>Total assets</b>	<b>2,430,395</b>	<b>2,415,588</b>	<b>1,231,632</b>	<b>1,234,272</b>
<b>Current liabilities</b>				
Trade and other payables	61,508	61,907	44,212	44,977
Current tax payable	3,829	3,829	-	-
	<b>65,337</b>	<b>65,736</b>	<b>44,212</b>	<b>44,977</b>
<b>Non-current liability</b>				
Deferred tax liabilities	7,902	7,902	-	-
<b>Total liabilities</b>	<b>73,239</b>	<b>73,638</b>	<b>44,212</b>	<b>44,977</b>
<b>Equity attributable to equity holders of the Company</b>				
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)	756,407	741,201	(186,279)	(184,404)
<b>Total equity</b>	<b>2,357,156</b>	<b>2,341,950</b>	<b>1,187,420</b>	<b>1,189,295</b>
<b>Total liabilities and equity</b>	<b>2,430,395</b>	<b>2,415,588</b>	<b>1,231,632</b>	<b>1,234,272</b>

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

	<b>Group</b>			
	<b>As at 31/03/2014</b>		<b>As at 31/12/2013</b>	
	<b>Secured</b>	<b>Unsecured</b>	<b>Secured</b>	<b>Unsecured</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Amount repayable in one year or less, or on demand	-	-	-	-
Amount repayable after one year	-	-	-	-

Details of any collaterals

Not applicable.

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**

	<b>Group</b>	
	<b>3 months ended</b>	
	<b>31/03/2014</b>	<b>31/03/2013</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b><u>Cash flows from operating activities</u></b>		
Profit/(Loss) before income tax	15,206	(23,916)
Adjustments for :-		
Depreciation expense	25,216	35,887
Interest income	(412)	(897)
Amortisation of land use rights	543	543
<b>Operating cash flows before movements in working capital</b>	<b>40,553</b>	<b>11,617</b>
Trade and other receivables	321,039	443,036
Inventories	(103,241)	(294,122)
Trade and other payables	(399)	(15,224)
<b>Cash generated from operations</b>	<b>257,952</b>	<b>145,307</b>
Income tax paid	-	-
<b>Net cash generated from operating activities</b>	<b>257,952</b>	<b>145,307</b>
<b><u>Cash flows from investing activities</u></b>		
Interest received	412	897
<b>Net cash generated from investing activities</b>	<b>412</b>	<b>897</b>
<b>Net increase in cash and cash equivalents</b>	<b>258,364</b>	<b>146,204</b>
Cash and cash equivalents at beginning of the period	267,393	89,393
<b>Cash and cash equivalents at end of the period</b>	<b>525,757</b>	<b>235,597</b>

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
<b><u>Group</u></b>							
<b>Balance at 1 Jan 2013</b>	429,132	768,145	117,747	227,050	58,675	809,253	2,410,002
Total comprehensive loss for the period	-	-	-	-	-	(23,916)	(23,916)
<b>Balance at 31 Mar 2013</b>	<b>429,132</b>	<b>768,145</b>	<b>117,747</b>	<b>227,050</b>	<b>58,675</b>	<b>785,337</b>	<b>2,386,086</b>
<b>Balance at 1 Jan 2014</b>	429,132	768,145	117,747	227,050	58,675	741,201	2,341,950
Total comprehensive Income for the period	-	-	-	-	-	15,206	15,206
<b>Balance at 31 Mar 2014</b>	<b>429,132</b>	<b>768,145</b>	<b>117,747</b>	<b>227,050</b>	<b>58,675</b>	<b>756,407</b>	<b>2,357,156</b>
<b><u>Company</u></b>							
<b>Balance at 1 Jan 2013</b>	429,132	768,145	117,747	-	58,675	(180,048)	1,193,651
Total comprehensive loss for the period	-	-	-	-	-	(871)	(871)
<b>Balance at 31 Mar 2013</b>	<b>429,132</b>	<b>768,145</b>	<b>117,747</b>	<b>-</b>	<b>58,675</b>	<b>(180,919)</b>	<b>1,192,780</b>
<b>Balance at 1 Jan 2014</b>	429,132	768,145	117,747	-	58,675	(184,404)	1,189,295
Total comprehensive loss for the period	-	-	-	-	-	(1,875)	(1,875)
<b>Balance at 31 Mar 2014</b>	<b>429,132</b>	<b>768,145</b>	<b>117,747</b>	<b>-</b>	<b>58,675</b>	<b>(186,279)</b>	<b>1,187,420</b>

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 31 December 2013 up to 31 March 2014. The share capital of the Company as at 31 December 2013 and 31 March 2014 is as below:-

	Number of shares	Issued and paid-up capital (HK\$)
Issued and fully paid-up ordinary shares as at 31 December 2013 and 31 March 2014	814,576,470	429,132,000

Convertibles – share options

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

Date of grant of options	Exercise price per share	Number of share options			Exercise period
		Options outstanding at 31/03/2013	Options renounced / exercised / cancelled	Options outstanding at 31/03/2014	
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 March 2013 and 31 March 2014 respectively. Save as disclosed above, the Company does not have other outstanding convertibles as at 31 March 2013 and 31 March 2014 respectively.

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 March 2014 were 814,576,470.

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

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	
	3 months ended 31/03/2014	3 months ended 31/03/2013
Profit/(Loss) attributable to equity holders of the Company	15,206,000	(23,916,000)
Weighted average number of ordinary shares	814,576,470	814,576,470
Profit/(Loss) per ordinary share ("EPS") (Basic and diluted) (in RMB cents)	1.87	(2.94)

The basic and diluted EPS were the same as there were no potential dilutive ordinary shares outstanding as at 31 March 2014 and 31 March 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	
	31/03/2014	31/12/2013	31/03/2014	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)	289.37	287.51	145.77	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 increased marginally by RMB 4.1 million or 1.1% from RMB 376.2 million for the financial period ended 31 March 2013 ("1Q2013") to RMB 380.3 million for the financial period ended 31 March 2014 ("1Q2014"). The increase was mainly attribute to increase in sales volume.



Full Drawn Yarn (“FDY”) / High Oriented Yarn (“HOY”) segment’s revenue decreased by RMB 8.9 million or 2.8% from RMB 312.8 million in 1Q2013 to RMB 303.9 million in 1Q2014. Total sale volume for FDY/HOY segment increases by 2.7% in 1Q2014 as compared to 1Q2013.

Drawn Texture Yarn (“DTY”) segment’s revenue increased RMB 13.0 million or 20.5% from RMB 63.4 million in 1Q2012 to RMB 76.4 million in 1Q2014. Total sale volume for DTY segment increases by 23.6% for 1Q2014 as compared to 1Q2013.

However, the average selling prices for both segments reduced by 5.5% and 2.6% respectively as compared to 1Q2013, mainly due to market competition.

#### Cost of sales

Cost of sales of the Group decreased by RMB 36.3 million or 9.3% from RMB 390.7 million in 1Q2013 to RMB 354.4 million in 1Q2014. Revised in the depreciation charge on property, plant and equipment due to the impairment loss recognised in previous financial years resulted the depreciation expense decreased by RMB 10.7 million and 18.4% decrease in raw materials price causes the average costs per unit sold to be lower by 14.6% for 1Q2014 as compared to the average costs per unit sold in 1Q2013.

#### Gross profit/(loss)

As a result of the above, the Group recorded a gross profit of RMB 26.0 million as compared to gross loss of RMB 14.4 million in 1Q2013.

#### **Other Income Statement Items**

Other operating income decreased from RMB 1.0 million in 1Q2013 to RMB 0.5 million in 1Q2014, mainly due to lower cash at bank placed as deposit resulted lower interest income received during the reporting periods .

Administrative expenses increased RMB 0.7 million from RMB 7.9 million in 1Q2013 to RMB 8.6 million in 1Q2014. The increase was mainly due to;

- a. Increase in salary and bonuses of RMB 0.4 million;
- b. Increase in travelling expenses of RMB 0.4 million
- c. Increase in professional fees (ie: internal audit fees and the professional fees in preparation of announcements and Annual Reports of RMB 0.4 million; and
- d. Decrease in the other statutory contribution such as natural disaster and city development contributions of RMB 0.5 million.

#### Profit/(Loss) before tax

In 1Q2014, the Group recorded an operating profit before tax of RMB 15.2 million compared with an operating loss before of tax of RMB 23.9 million in 1Q2013.

#### **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 1,292.1 million as at 31 March 2014. The decrease was mainly due to the depreciation charged on property, plant and equipment of RMB 25.2 million during the current financial period.

Land use rights decreased from RMB 99.3 million as at 31 December 2013 to RMB 98.8 million as at 31 March 2014. The decrease in land use rights was due to the incurred amortisation expenses of RMB 0.5 million during the financial period.

**Working capital**

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

(RMB' million)	As at 31 March 2014	As at 31 December 2013
Total current assets	1,039.5	998.9
Total current liabilities	65.3	65.7
Working capital	974.2	933.2

The Group had positive working capital of RMB 974.2 million as at 31 March 2014, as compared to RMB 933.2 million as at 31 December 2013.

**Current Assets**

Trade and other receivables	As at 31 March 2014 (RMB'000)	As at 31 December 2013 (RMB'000)	Variance (RMB'000)	%
Trade receivables	249,507	259,347	(9,840)	(3.8)
Other receivables	38,459	349,658	(311,199)	(89.0)
	287,966	609,005	(321,039)	(52.7)

The decrease in other receivables was mainly due to the reclassification of RMB 318.5 million advance payments for realising the purchase of raw materials to cost of sales to match off the revenue and balances to inventory.. This decrease was offset by an increase in VAT receivables of RMB 6.2 million. The VAT receivables will be used to offset against the VAT payables incurred for subsequent sales.

Inventory	As at 31 March 2014 (RMB'000)	As at 31 December 2013 (RMB'000)	Variance (RMB'000)	%
Raw materials	60,280	34,386	25,894	75.3
Finished goods	165,461	88,114	77,347	87.8
	225,741	122,500	103,241	84.3

As explained in the above, the increase in both raw materials and finished goods were mainly due to the reclassification of RMB 318.5 million advance payment for raw materials whereas most of the raw materials has produced into finished goods for subsequent months sales.

**Current Liabilities**

Trade and other payables	As at 31 March 2014 (RMB'000)	As at 31 December 2013 (RMB'000)	Variance (RMB'000)	%
Trade payables	18,771	20,597	(1,826)	(8.9)
Other payables	42,737	41,310	1,427	3.5
	61,508	61,907	(399)	(0.6)

Other payables were mainly consists of staff salary, bonus and provident funds accrued as well as professional fees incurred by the Company.

**REVIEW OF CONSOLIDATED STATEMENT OF CASH FLOWS**

In 1Q2014, the Group's net cash generated from operating activities amounted to RMB 258.0 million. This was mainly due to the decrease in trade and other receivables of RMB 321.0 million and the decrease in trade and other payables of RMB 0.4 million, and an increase in inventories of RMB 103.2 million.

Net cash generated from investing activities amounted to RMB 0.4 million in 1Q2014 from interest received during the current financial period.

As a result of the above, there was a net increase of RMB 258.4 million in cash and cash equivalents from RMB 267.4 million as at 31 December 2013 to RMB 525.8 million as at 31 March 2014.

Subsequent to quarter ended, the Group has utilised RMB 240.0 million to purchase raw materials and placed RMB 210.0 million into 3-months short term deposits in financial institutions.

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 first quarter for the financial period ended 31 March 2014 is in line with the Company's discussion presented at the AGM and announced on 23 April 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.**

Although the nylon industry has shown certain sign of turning around during the 1<sup>st</sup> quarter 2014, management will continues to monitor closely the fluctuations of the raw materials price in order to optimize the working capital commitment, and to adjust it production capacities and efficiency towards demand in order to generate better margin.

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 Interest Person Transactions ("IPTs") and no IPTs during current financial period under review.

14. **Negative assurance confirmation on the interim financial results pursuant to Rule 705(5) of the Listing Manual.**

The Board hereby confirm to the best of our knowledge, nothing has come to the attention of the Board which may render the unaudited interim financial results for the first quarter ended 31 March 2014 to be false or misleading in any material aspects.

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

**Ling Yew Kong  
CEO and Executive Director**

**Song Jian Sheng  
Executive Director**

**14 May 2014**