



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

**FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT
FOR THE 3 MONTHS ENDED 31 MARCH 2016 (“1Q2016”)**

**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		Change %
	3 months ended		
	31/03/2016 RMB'000	31/03/2015 RMB'000	
Revenue	239,653	411,241	(41.72)
Cost of sales	(222,020)	(454,481)	(51.15)
Gross profit/(loss)	17,633	(43,240)	NA
Other operating income	531	669	(20.63)
Distribution expenses	(2,158)	(2,909)	(25.82)
Administrative expenses	(8,220)	(7,977)	3.05
Other operating expenses	(221)	(221)	-
Profit/(Loss) before income tax	7,565	(53,678)	NA
Income tax expense	-	-	-
Profit/(Loss), representing total comprehensive income for the period attributable to owners of the Company	7,565	(53,678)	NA

NM: Not meaningful.

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

	Group		Change
	3 months ended		
	31/03/2016	31/03/2015	%
	RMB'000	RMB'000	
The following items were charged/(credited) to the consolidated statement of comprehensive income:-			
Depreciation expense	7,752	24,233	(68.01)
Foreign exchange loss	-	47	(100.00)
Interest income	(501)	(539)	(7.05)
Amortisation of land use rights	542	542	-

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	
	31/03/2016 RMB'000	31/12/2015 RMB'000	31/03/2016 RMB'000	31/12/2015 RMB'000
Current assets				
Cash and cash equivalents	425,967	279,294	47	47
Trade and other receivables	466,578	447,351	-	-
Inventories	115,636	285,479	-	-
	1,008,181	1,012,124	47	47
Non-current assets				
Investment in subsidiaries	-	-	205,067	205,067
Property, plant and equipment	898,160	905,912	-	-
Land use rights	94,476	95,018	-	-
Trade and other receivables	-	-	645,773	646,377
	992,636	1,000,930	850,840	851,444
Total assets	2,000,817	2,013,054	850,887	851,491
Current liabilities				
Trade and other payables	45,883	65,685	43,556	43,085
Provision for the restoration	4,395	4,395	-	-
Current tax payable	3,829	3,829	-	-
	54,107	73,909	43,556	43,085
Non-current liability				
Deferred tax liabilities	7,902	7,902	-	-
Total liabilities	62,009	81,811	43,556	43,085
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)	338,059	330,494	(566,368)	(565,293)
Total equity	1,938,808	1,931,243	807,331	808,406
Total liabilities and equity	2,000,817	2,013,054	850,887	851,491

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

	Group			
	As at 31/03/2016		As at 31/12/2015	
	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. (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	
	3 months ended	
	31/03/2016	31/03/2015
	RMB'000	RMB'000
<u>Cash flows from operating activities</u>		
Profit/(Loss) before income tax	7,565	(53,678)
Adjustments for :-		
Depreciation expense	7,752	24,233
Interest income	(501)	(539)
Amortisation of land use rights	542	542
Operating cash flows before movements in working capital	15,358	(29,442)
Trade and other receivables	(19,227)	58,224
Inventories	169,843	(186,162)
Trade and other payables	(19,802)	23,336
Cash generated from/(used in) from operations	146,172	(134,044)
Income tax paid	-	-
Net cash generated from/(used in) operating activities	146,172	(134,044)
<u>Cash flows from investing activities</u>		
Interest received	501	539
Net cash generated from investing activities	501	539
Net increase/(decrease) in cash and cash equivalents	146,673	(133,505)
Cash and cash equivalents at beginning of the period	279,294	594,308
Cash and cash equivalents at end of the period	425,967	460,803

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
Group							
Balance at 1 Jan 2015	429,132	768,145	117,747	227,050	58,675	755,759	2,356,508
Total comprehensive loss for the period	-	-	-	-	-	(53,678)	(53,678)
Balance at 31 Mar 2015	429,132	768,145	117,747	227,050	58,675	702,081	2,302,830
Balance at 1 Jan 2016	429,132	768,145	117,747	227,050	58,675	330,494	1,931,243
Total comprehensive profit for the period	-	-	-	-	-	7,565	7,565
Balance at 31 Mar 2016	429,132	768,145	117,747	227,050	58,675	338,059	1,938,808
Company							
Balance at 1 Jan 2015	429,132	768,145	117,747	-	58,675	(235,996)	1,137,703
Total comprehensive loss for the period	-	-	-	-	-	(1,141)	(1,141)
Balance at 31 Mar 2015	429,132	768,145	117,747	-	58,675	(237,137)	1,136,562
Balance at 1 Jan 2016	429,132	768,145	117,747	-	58,675	(565,293)	808,406
Total comprehensive loss for the period	-	-	-	-	-	(1,075)	(1,075)
Balance at 31 Mar 2016	429,132	768,145	117,747	-	58,675	(566,368)	807,331

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 2015 up to 31 March 2016. The share capital of the Company as at 31 December 2015 and 31 March 2016 is as below:-

	Number of shares	Issued and paid-up capital (RMB)
Issued and fully paid-up ordinary shares as at 31 December 2015 and 31 March 2016	814,576,470	429,132,000
Less : Treasury shares	(15,416,121)	-
	799,160,349	429,132,000

Convertibles – share options

As at 31 March 2016, the number of options outstanding was 23,545,000 (31 March 2015: 23,545,000).

Date of grant of options	Exercise price per share	Number of share options			Exercise period
		Options outstanding at 31/03/2015	Options renounced / exercised / cancelled	Options outstanding at 31/03/2016	
01/09/2009	S\$0.32	23,545,000	-	23,545,000	28/08/2010 to 27/08/2019

The total number of treasury shares as at 31 March 2016 was 15,416,121 (31 March 2015 : 15,416,121). Save as disclosed above, the Company did not have other outstanding convertibles as at 31 March 2016 and 31 March 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.**

The total number of issued ordinary shares excluding treasury shares of the Company as at 31 December 2015 and as at 31 March 2016 were 799,160,349.

The total number of treasury shares as at 31 March 2016 was 15,416,121 (31 December 2015 : 15,416,121).

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.**

The total number of treasury shares as at 31 March 2016 was 15,416,121 (31 March 2015 : 15,416,121).

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 2015.

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.

	Group	
	3 months ended 31/03/2016	3 months ended 31/03/2015
Earnings per ordinary share (“EPS”) for the current period after deducting any provision for preference dividends if any:-		
Profit/(Loss) attributable to equity holders of the Company	7,565,000	(53,678,000)
Weighted average number of ordinary shares	814,576,470	813,206,148
Profit/(Loss) per ordinary share (“EPS”) (Basic and diluted) (in RMB cents)	0.95	(6.60)

The basic EPS is calculated by dividing earnings for the period attributable to the equity holders of the Company by the weighted average number of ordinary shares issued during the financial period under review.

Diluted earnings per share is calculated on the same basis as the basic earnings per share except that the weighted average number of shares issued during the financial period under review is adjusted for the effects of all dilutive potential ordinary shares. The Company had no potential dilutive ordinary shares outstanding as at 31 March 2016 and 31 March 2015. 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.

For the purpose of basic and diluted earnings per share computation, the weighted average number of shares for the financial period ended 31 March 2016 and financial period ended 31 March 2015 represents:

	Period ended 31/03/2016	Period ended 31/03/2015
The number of shares issued	799,160,349	814,576,470
The weighted average of shares surrender on 23 March 2015	-	(1,370,322)
Weighted average number of shares	<u>799,160,349</u>	<u>813,206,148</u>

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	
	31/03/2016	31/12/2015	31/03/2016	31/12/2015
Net asset value per ordinary share based on existing issued share capital as at the end of the period (in RMB cents)	242.61	241.66	101.02	101.16
No of ordinary shares (excluding treasury shares)	799,160,349	799,160,349	799,160,349	799,160,349

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 decreased by RMB 171.5 million or 41.7% from RMB 411.2 million for the financial period ended 31 March 2015 ("1Q2015") to RMB 239.7 million for the financial period ended 31 March 2016 ("1Q2016").

Full Drawn Yarn ("FDY") / High Oriented Yarn ("HOY") segment's revenue decreased by RMB 163.1 million or 45.9% from RMB 355.1 million in 1Q2015 to RMB 192.0 million in 1Q2016.

Drawn Texture Yarn ("DTY") segment's revenue decreased RMB 8.5 million or 15.2% from RMB 56.1 million in 1Q2015 to RMB 47.6 million in 1Q2016.

The decrease in revenue for FDY/HOY and DTY segment were attributable to the decrease in both average selling price and sales volume as compared to 1Q2015.

Breakdown of the average selling price:

	1Q2016 (RMB / tonne)	1Q2015 (RMB / tonne)	Variance	%
FDY/HOY segment	15,290	16,401	(1,111)	(6.8)
DTY segment	21,337	23,021	(1,685)	(7.3)

Cost of sales

	1Q2016 (RMB'000)	1Q2015 (RMB'000)	Variance (RMB'000)	%
Direct materials	213,850	391,551	(177,701)	(45.4)
Direct labour	7,285	10,251	(2,966)	(28.9)
Consumable materials	707	1,936	(1,229)	(63.5)
Depreciation of plant and machineries	7,752	24,233	(16,481)	(68.0)
Utilities	14,137	26,510	(12,373)	(46.7)
Inventories adjustment	(21,711)	-	(21,711)	(100.0)
Total	222,020	454,481	(232,461)	(51.2)

The cost of sales of the Group decreased by RMB 232.5 million or 51.2% from RMB 454.5 million in 1Q2015 to RMB 222.0 million in 1Q2016. The decrease in cost of sales was in line with the decrease in sales for both segments FDY/HOY and DTY.

Gross profit/(loss)

As a result of the above, the Group recorded a gross profit of RMB 17.6 million in 1Q2016 as compared to a gross loss of RMB 43.2 million for 1Q2015.

In view of the continuing weak market demand for textile, in particular the nylon market where the textile market is currently facing an oversupply of nylon products resulted in decrease in sales volume and falling in average selling price of nylon products due to the sluggish downstream demand, coupled with manufacturers trying to clear their excess inventories by lowering their selling price to push their sales, had put further pressure on the already falling average selling price of nylon products.

Nevertheless, the Group recorded a gross profit for 1Q2016. This was mainly due to the effects of impairment loss recognised in respect of property, plant and equipment in financial year ended 31 December 2012, 31 December 2014 and 31 December 2015, which resulted in lower depreciation being charged to cost of sales. In addition, previous inventory

written down to net realisable value in financial year ended 31 December 2015 of RMB 21.7 million had further reduced cost of sales for the current period.

Other Income Statement Items

Other operating income decreased from RMB 0.7 million in 1Q2015 to RMB 0.5 million in 1Q2016. The decrease were mainly due to lower cash at bank placed in financial institutions and the lesser scrap materials were sold during the current financial period.

Selling and distribution expenses decreased by RMB 0.7 million from RMB 2.9 million in 1Q2015 to RMB 2.2 million in 1Q2016. The decrease was mainly due to decrease in provision of sales commission which is in line with the decrease in revenue.

Profit/(Loss) before income tax

In 1Q2016, the Group recorded an operating profit before income tax of RMB 7.6 million compared with an operating loss before income tax of RMB 53.6 million in 1Q2015.

Income tax expense

There was no provision for income tax in respect of the operating profit recorded during the current financial period, because the Group has unutilised unabsorbed loss to offset against the profit generated during the current financial period.

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 905.9 million as at 31 December 2015 to RMB 898.2 million as at 31 March 2016. The decrease was mainly due to the depreciation charged on property, plant and equipment of RMB 7.7 million during the current financial period.

Land use rights decreased from RMB 95.0 million as at 31 December 2015 to RMB 94.5 million as at 31 March 2016. 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 2016 and as at 31 December 2015 are set out below:-

(RMB' million)	As at 31 March 2016	As at 31 December 2015
Total current assets	1,008.2	1,012.1
Total current liabilities	54.1	73.9
Working capital	954.1	938.2

The Group had positive working capital of RMB 954.1 million as at 31 March 2016, as compared to RMB 938.2 million as at 31 December 2015.

Current Assets

Trade and other receivables	As at 31 March 2016 (RMB'000)	As at 31 December 2015 (RMB'000)	Variance (RMB'000)	%
Trade receivables	256,109	345,399	(89,290)	(25.8)
Other receivables	210,469	101,952	108,517	106.4
	466,578	447,351	19,227	4.3

The decrease in trade receivables was mainly due to the decrease in revenue during the current financial period.

The increase in other receivables was mainly due to:-

- a. Increase in advance to suppliers for the purchase of raw materials of RMB 139.2 million.
- b. this increase was offset by a decrease in VAT receivables of RMB 32.0 million. The VAT receivables will be used to offset against the VAT payables incurred for subsequent sales.

Inventory	As at 31 March 2016 (RMB'000)	As at 31 December 2015 (RMB'000)	Variance (RMB'000)	%
Raw materials	66,251	127,936	(61,685)	(48.2)
Finished goods	49,385	157,543	(108,158)	(68.7)
	115,636	285,479	(169,843)	(59.5)

The decrease in both raw materials and finished goods were mainly due to the decrease in purchase of raw materials and the decrease in productions with intention to clear the excess inventories in the warehouse.

Current Liabilities

Trade and other payables	As at 31 March 2016 (RMB'000)	As at 31 December 2015 (RMB'000)	Variance (RMB'000)	%
Trade payables	308	14,334	(14,026)	(97.9)
Other payables	45,576	51,351	(5,775)	(11.3)
	45,884	65,685	(19,801)	(30.1)

The decrease in trade payables was due to lower purchases of raw materials during the current financial period and subsequent payment to trade payable after the financial year ended 31 December 2015.

Other payables were mainly consists of staff salary, bonus and provident funds accrued as well as professional fees incurred by the Group. The decrease in the other payables was mainly due to payments of expenses subsequent to the financial year ended 31 December 2015.

REVIEW OF CONSOLIDATED STATEMENT OF CASH FLOWS

In 1Q2016, the Group's net cash generated from operating activities amounted to RMB 146.2 million. This was mainly due to the decrease in inventories of RMB 169.2 million, offsetted by increase in trade and other receivable of RMB 19.2 million and decrease n trade and other payables of RMB 19.8 million.

Net cash generated from investing activities amounted to RMB 0.5 million in 1Q2016 from interest received during the current financial period.

As a result of the above, there was a net decrease of RMB 146.7 million in cash and cash equivalents from RMB 279.3 million as at 31 December 2015 to RMB 426.0 million as at 31 March 2016.

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 2016 is in line with the Company's results announcement on 29 February 2016.

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.

Management believes the macro environment outlook in 2016 is likely to continue to remain competitive and challenging, in view of the on-going uncertainties in the global economy; slowdown in the PRC economy and the fluctuation in crude oil prices.

For micro outlook, management expects that in the first half of 2016, the nylon market will continue to be a period of uncertainty in terms of downstream demand coupled with an oversupply of nylon products which will put further pressure on the average selling price of nylon products. Notwithstanding this uncertainty, management will continue to adjust the production structure, develop new quality products and aim for better margin in response to the changing market condition.

The Group is also currently exploring for new business opportunities that will enhance shareholders' value over the long term and will make the necessary announcement when there are any significant developments.

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 the 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 2016 to be false or misleading in any material aspects.

15. Confirmation Pursuant to Rule 720(1) of the Listing Manual

The Company has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

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

**Song Jian Sheng
Executive Director**

**Ye Chang Liu
Executive Director**

13 May 2016