吉林奇峰化纖股份有限公司
Jilin Qifeng Chemical Fiber Co., Ltd.*

(A joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 549)

2014 FINAL RESULTS ANNOUNCEMENT

Financial and Operation Highlights

- Loss attributable to owners of the Company was approximately RMB72 million, as compared to a loss of approximately RMB92 million in 2013.
- Revenue was approximately RMB1.9 billion, representing an increase of approximately 32% as compared to 2013, which was mainly attributable to the increase in the sale volume of acrylic fiber products.
- The overall gross profit margin of the Group increased from 6.8% in 2013 to 7.1% in 2014, which was mainly due to an increase in sales volume which reduced the average production cost of the Group's products.
- The Group's share of 50% of the loss of its joint venture, Jilin Jimont Acrylic Fiber Co., Ltd., for 2014 under the equity method of accounting amounted to approximately RMB32.4 million (2013: loss of RMB14.9 million).

The board (the "Board") of directors (the "Directors") of Jilin Qifeng Chemical Fiber Co., Ltd. (the "Company") hereby announces the consolidated annual results of the Company and its subsidiary (collectively the "Group") for the year ended 31 December 2014 (the "Year") (the "Results Announcement"), with comparative figure for the year ended 31 December 2013 as follows. This Results Announcement has been reviewed by the Board and the Audit Committee of the Company.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014	2013
		RMB'000	RMB'000
			(Restated)
Turnover	2	**1,941,549**	1,468,845
Cost of sales		**(1,804,065)**	(1,367,619)
Gross profit		**137,484**	101,226
Other income and gains	3	**488,841**	512,034
Distribution costs		**(47,399)**	(37,577)
Administrative expenses		**(103,620)**	(116,575)
Other expenses and losses	4	**(365,888)**	(388,534)
Operating profit		**109,418**	70,574
Finance income	5	**2,532**	2,900
Finance costs	5	**(147,436)**	(140,130)
		(35,486)	(66,656)
Share of loss of a joint venture		**(32,387)**	(14,926)
Loss before income tax	6	**(67,873)**	(81,582)
Income tax expense	7	**(4,297)**	(10,890)
Loss and total comprehensive loss for the year attributable to the owners of the Company		**(72,170)**	(92,472)
Loss per share attributable to the owners of the Company (expressed in RMB per share)			
– basic and diluted	8	**(0.08)**	(0.11)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Notes	**2014**	2013
		RMB'000	RMB'000
			(Restated)
ASSETS			
Non-current assets			
Land use rights		**80,735**	84,633
Property, plant and equipment		**1,426,090**	1,591,495
Intangible assets		**—**	—
Interest in a joint venture		**127,304**	159,418
Deferred income tax assets		**68,129**	72,426
Prepayments		**2,785**	248
		1,705,043	1,908,220
Current assets			
Inventories		**345,256**	404,804
Trade and other receivables	10	**663,323**	563,991
Land use rights		**3,898**	3,898
Current income tax recoverable		**—**	1,893
Restricted bank deposits		**143,657**	74,013
Cash and cash equivalents		**57,814**	90,813
		1,213,948	1,139,412
Total assets		**2,918,991**	3,047,632
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		**866,250**	866,250
Share premium		**142,477**	142,477
Other reserves		**31,919**	31,919
Accumulated losses		**(378,848)**	(306,678)
Total equity		**661,798**	733,968

	Notes	**2014**	2013
		RMB'000	RMB'000
			(Restated)
LIABILITIES			
Non-current liabilities			
Long-term bank borrowings		**307,697**	364,122
Deferred income		**61,963**	67,637
Derivative financial instrument		**—**	5,158
		369,660	436,917
Current liabilities			
Trade and other payables	11	**445,617**	443,312
Deferred income		**7,274**	7,274
Short-term bank borrowings		**1,309,099**	1,315,390
Current portion of long-term bank borrowings		**120,551**	104,902
Derivative financial instrument		**4,992**	5,869
		1,887,533	1,876,747
Total liabilities		**2,257,193**	2,313,664
Total equity and liabilities		**2,918,991**	3,047,632
Net current liabilities		**(673,585)**	(737,335)
Total assets less current liabilities		**1,031,458**	1,170,885

1. BASIS OF PREPARATION

1.1 Basis of preparation and going concern assumption

During the year ended 31 December 2014, the Group incurred a net loss of RMB72,170,000 (2013: RMB92,472,000) and, as of that date, the Group's current liabilities exceeded its current assets by RMB673,585,000 (2013: RMB737,335,000) and the bank borrowings as included in the Group's current liabilities amounted to RMB1,429,650,000 (2013: RMB1,420,292,000) respectively. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

The Company's directors are of the opinion that the Group will be able to finance its future financing requirements and working capital based on the following considerations:

(a) The Group has maintained its good business relationship with its principal bankers and the principal bankers have indicated their willingness to renew their borrowings to the Group upon maturities of borrowings. The Company's directors, having evaluating all the relevant facts available to them, believe that formal and binding facility letters will be entered into with the respective principal bankers upon the original maturity dates of the related borrowings;

(b) The Group's profitability and cash flows are expected to be improved in view of the improving business environment of the business operations; and

(c) The ultimate parent company, JCF Groupco, a state-owned enterprise, has confirmed and has ability to provide continuing financial support to the Group so as to enable it to meet its liabilities as and when they fall due and to carry on its business for the foreseeable future.

In view of the above, the Company's directors are of the view that there will be sufficient financial resources available to the Group to enable it to meet its liabilities as and when they fall due and to continue as a going concern. Accordingly, the Company's directors have prepared the consolidated financial statements on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their estimated recoverable amounts, to provide for any further liabilities which might arise and to classify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these adjustment have not been reflected in these consolidated financial statements.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instrument being categorised as financial liabilities at fair value through profit or loss.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements will be disclosed in annual report.

1.2 Adoption of new/revised HKFRSs – effective on 1 January 2014

The Group has adopted the following new and revised HKFRSs and one new interpretation issued by the HKICPA, which are mandatory for the first time for the financial year beginning 1 January 2014:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK (IFRIC) 21	Levies
HKAS 28 (2011)	Investments in Associates and Joint Ventures

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. The adoption of the abovementioned amendments did not result in any substantial changes to the Group's significant accounting policies and presentation of the consolidated financial statements.

1.3 New/revised HKFRSs that have been issued but are not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKAS 1	Disclosure Initiative[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[5]
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions[4]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[5]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle[6]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

3 Effective for annual periods beginning on or after 1 January 2017

4 Effective for annual periods beginning on or after 1 July 2014

5 Effective for annual periods beginning on or after 1 January 2016

6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

2. SEGMENT INFORMATION

The chief operating decision-makers have been identified as the three executive directors of the Company (collectively the "Decision-Makers"). The Decision-Makers review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Group is principally engaged in the development, production and sales of chemical fiber products, namely acrylic fiber and carbon fiber products.

All of the Group's operations and assets are located in the PRC except that, a portion of the Group's revenue of RMB221,904,000 (2013: RMB170,571,000) was in connection with sales to overseas customers. Therefore, the Decision-Makers consider the Group's business from a product perspective, rather than from a geographic perspective. The Decision-Makers assess the performance of the operating segments of acrylic fiber products and carbon fiber products on a regular basis.

The Decision-Makers primarily assess the performance of the operating segments based on a measure of adjusted segment results which are profit before interests, tax, depreciation and amortisation. This measurement basis excludes the effects of non-recurring expenditure from the operating segments (such as legal expenses and impairments when the impairment is the result of an isolated, non-recurring event). Interest income and expenditure are not included in the result for each operating segment that is reviewed by the Decision-Makers.

Turnover for the year ended 31 December 2014 consists of sales from the acrylic fiber products segment and carbon fiber products segment of RMB1,895,910,000 (2013: RMB1,448,851,000) and RMB45,639,000 (2013: RMB19,994,000) respectively.

The Group does not have any inter-segment sales during the years ended 31 December 2014 and 2013.

The segment information provided to the Decision-Makers for the years ended 31 December 2014 and 2013 is as follow:

Segment revenue and results

	Acrylic fiber products RMB'000	Carbon fiber products RMB'000	Total RMB'000
Year ended 31 December 2014			
Total revenue from external customers	**1,895,910**	**45,639**	**1,941,549**
Adjusted segment results (Note)	**309,696**	**5,155**	**314,851**
Impairment on inventories	**(2,473)**	**(10,487)**	**(12,960)**
Share of loss of a joint venture	**(32,387)**	**—**	**(32,387)**
Depreciation and amortisation	**(166,167)**	**(26,686)**	**(192,853)**
Income tax expenses	**(3,356)**	**(941)**	**(4,297)**
	105,313	**(32,959)**	**72,354**
Other information:			
Additions to property, plant and equipment	**21,603**	**1,958**	**23,561**
Year ended 31 December 2013			
Total revenue from external customers	1,448,851	19,994	1,468,845
Adjusted segment results (Note)	281,883	3,886	285,769
Impairment on inventories	—	(12,015)	(12,015)
Share of loss of a joint venture	(14,926)	—	(14,926)
Depreciation and amortisation	(175,568)	(27,218)	(202,786)
Income tax expenses	(5,323)	(5,567)	(10,890)
	86,066	(40,914)	45,152
Other information:			
Additions to property, plant and equipment	54,292	43,634	97,926

The revenue from external parties reported to the Decision-Makers is measured in a manner consistent with that in the consolidated statement of comprehensive income.

A reconciliation of adjusted segment results to loss before income tax is provided as follows:

	2014	2013
	RMB'000	RMB'000
Adjusted segment results for reportable segments	**314,851**	285,769
Impairment on inventories	**(12,960)**	(12,015)
Depreciation and amortization	**(192,853)**	(202,786)
Net gain/(loss) on derivative financial instrument	**380**	(394)
Finance costs – net	**(144,904)**	(137,230)
Share of loss of a joint venture	**(32,387)**	(14,926)
	(382,724)	(367,351)
Loss before income tax	**(67,873)**	(81,582)

Note:

The Group has managed and operated certain Utility Facilities and Leased Assets primarily to produce electricity and steam for its own production of acrylic fiber and carbon fiber products at the most cost efficient manner and any surplus of utilities as generated from these Utility Facilities and Leased Assets will be provided to fellow subsidiaries, joint venture, Jilin Chemical Fibre Co., Ltd. ("JCFCL"), other related parties and third parties at rates to be determined amongst the parties concerned. The adjusted segment results as disclosed above for the acrylic fiber products segment included an amount of RMB159,870,788 (2013: RMB163,723,000), representing the related income net of direct outgoings (other than depreciation charge), which is attributable to the provisions of surplus utilities to fellow subsidiaries, joint venture, JCFCL, other related parties and third parties.

Segment assets and liabilities

	Acrylic fiber products RMB'000	Carbon fiber products RMB'000	Total RMB'000
As at 31 December 2014			
Total segment assets	**2,218,620**	**632,242**	**2,850,862**
Total segment assets include:			
Interest in a joint venture	**127,304**	**—**	**127,304**
Total segment liabilities	**425,350**	**89,504**	**514,854**
As at 31 December 2013			
Total segment assets	2,366,340	606,973	2,973,313
Total segment assets include:			
Interest in a joint venture	159,418	—	159,418
Total segment liabilities	473,233	44,990	518,223

The amounts provided to the Decision-Makers with respect to total assets/liabilities are measured in a manner consistent with that of the consolidated financial statements. These assets/liabilities are allocated based on the operations of the respective segments.

Reportable segment assets are reconciled to total assets per consolidated statement of financial position as follows:

	2014 RMB'000	2013 RMB'000
Segment assets for reportable segments	**2,850,862**	2,973,313
Unallocated:		
Deferred income tax assets	**68,129**	72,426
Current income tax recoverable	**—**	1,893
	68,129	74,319
Total assets per consolidated statement of financial position	**2,918,991**	3,047,632

Reportable segment liabilities are reconciled to total liabilities per consolidated statement of financial position as follows:

	2014 RMB'000	2013 RMB'000
Segment liabilities for reportable segments	**514,854**	518,223
Unallocated:		
Borrowings	**1,737,347**	1,784,414
Derivative financial instrument	**4,992**	11,027
	1,742,339	1,795,441
Total liabilities per consolidated statement of financial position	**2,257,193**	2,313,664

3. OTHER INCOME AND GAINS

	2014 RMB'000	2013 RMB'000 (Restated)
Other income		
Rental income	**612**	139
Income from provision of utilities	**461,725**	503,457
Amortisation of deferred income	**7,274**	7,305
Sales of raw materials	**10,725**	—
Subsidy income (Note i)	**2,238**	620
Inspection fee income (Note ii)	**2,251**	—
Others	**740**	240
	485,565	511,761
Other gains		
Gain attributable to equity interests of a joint venture	**273**	273
Reversal of impairment loss on trade and other receivables, net	**2,623**	—
Net gain on derivative financial instrument	**380**	—
	3,276	273
	488,841	512,034

Note:

(i) Subsidy income mainly represents subsidies received from local government in relation to the carbon fiber production business and the subsidy rewards to the Group by local government for the Group has implemented a series of energy control for the past 10 years to improve the energy usage during the year ended 31 December 2014. There are no unfulfilled conditions or contingencies relating to these grants.

(ii) Inspection fee mainly represents the quality inspection service provided to the joint venture.

4. OTHER EXPENSES AND LOSSES

	2014	2013
	RMB'000	RMB'000
		(Restated)
Other expenses		
Direct outgoings in respect of provision of utilities	**(355,036)**	(385,335)
Cost of raw materials	**(10,835)**	—
Others	**(17)**	(105)
	(365,888)	(385,440)
Other losses		
Net loss on derivative financial instrument	**—**	(394)
Foreign exchange losses, net	**—**	(2,506)
Others	**—**	(194)
	—	(3,094)
	(365,888)	(388,534)

5. FINANCE INCOME AND COSTS

	2014 RMB'000	2013 RMB'000 (Restated)
Interest income	**(2,532)**	(2,900)
Interest expenses on bank borrowings		
– wholly repayable within five years	**138,638**	115,003
– repayable over five years	**7,598**	16,010
	146,236	131,013
Bank borrowings guarantee fees to the ultimate parent company (Note)	**1,200**	9,117
Finance costs	**147,436**	140,130
Finance costs – net	**144,904**	137,230

Note:

With effect from 1 January 2011, the ultimate parent company charges guarantee fees on those guaranteed bank borrowings which are calculated at predetermined rates on the daily outstanding principal amounts of the guaranteed bank borrowings. No guarantee fee was charged by the ultimate parent company to the Company for the year ended 31 December 2014.

6. LOSS BEFORE INCOME TAX

Loss before income tax is stated after charging:

	2014 RMB'000	2013 RMB'000
Inventories recognised as an expense		
– for production of fiber products	**1,791,105**	1,355,604
– for provision of utilities	**355,036**	385,335
– impairment on inventories	**12,960**	12,015
Depreciation	**188,955**	190,683
Amortisation of		
– land use rights	**3,898**	3,898
– intangible assets (included in administrative expenses)	**—**	8,205
Employee benefit expenses	**111,396**	96,889
Minimum lease payment	**14,664**	12,293
Auditors' remuneration		
– audit services	**1,315**	1,315

7. INCOME TAX

The amount of income tax charged/(credited) to the consolidated statement of comprehensive income represents:

	2014	2013
	RMB'000	RMB'000
Current income tax – PRC corporate income tax		
– over-provision in respect of prior years	**—**	(464)
	—	(464)
Deferred income tax		
– charge for the year	**4,297**	11,354
Income tax expenses	**4,297**	10,890

Notes:

(a) By reference to the Corporate Income Tax Law of the PRC as approved by the National People's Congress on 16 March 2007, the corporate income tax rate applicable to the Company and its subsidiary for the current and the prior year is 25%.

(b) No provision for Hong Kong profits tax has been made as the Group did not carry out any business or generate any assessable profits in Hong Kong for the year ended 31 December 2014 (2013: Nil).

8. LOSS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

Basic loss per share is calculated by dividing the loss attributable to the owners of the Company for the year by the weighted average number of the Company's shares in issue during the year of 866,250,000 (2013: 866,250,000) shares.

The Company has no potential dilutive shares in issue duning the year ended 31 December 2014 and 2013 and therefore the diluted loss per share is equal to the basic loss per share.

9. DIVIDEND

The Company's directors do not recommend the payment of any dividend for the year ended 31 December 2014 (2013: nil).

10. TRADE AND OTHER RECEIVABLES

	2014 RMB'000	2013 RMB'000
Trade receivables (Note a)	**112,255**	102,109
Less: provision for impairment	**(5,984)**	(5,021)
Trade receivables – net	**106,271**	97,088
Bills receivables	**190,123**	200,802
Amounts due from related parties	**266,190**	188,097
Other receivables	**76,911**	68,673
Less: provision for impairment	**(1,886)**	(7,516)
Other receivables – net	**75,025**	61,157
Prepayments	**25,714**	16,847
	663,323	563,991

Notes:

(a) The Group's sales are normally conducted on the cash on delivery terms or a credit term of 30 days. Aging analysis of trade receivables net of allowance for doubtful debt based on invoice date are as follows:

	2014 RMB'000	2013 RMB'000
0 – 30 days	**66,456**	44,604
31 – 90 days	**22,183**	33,839
91 – 365 days	**7,733**	7,442
Over 365 days	**9,899**	11,203
	106,271	97,088

11. TRADE AND OTHER PAYABLES

	2014 RMB'000	2013 RMB'000
Trade payables (Note a)	**170,540**	210,555
Bills payables	**140,000**	60,000
Amounts due to related parties	**6,992**	13,555
Other payables and accruals	**128,085**	159,202
	445,617	443,312

Notes:

(a) The aging analysis of the trade payables is as follows:

	2014 RMB'000	2013 RMB'000
0 – 30 days	**71,628**	74,059
31 – 90 days	**41,261**	122,226
91 – 365 days	**46,533**	3,949
Over 365 days	**11,118**	10,321
	170,540	210,555

12. COMPARATIVE FIGURE

Certain 2013 corresponding comparative figures have been reclassified to conform to current year's presentation.

Land use rights of the Group included in non-current assets, amounting to RMB3,898,000, has been reclassified as current assets.

Deferred income of the Group included in non-current liabilities, amounting to RMB7,274,000, has been reclassified to current liabilities.

Derivative financial instrument of the Group included in current liabilities, amounting to RMB5,158,000, has been reclassified to non-current liabilities.

Other gain arising from gain attributable to equity interest of a joint venture has been reclassified to other income and gains.

Other losses arising from net loss on derivative financial instrument, net foreign exchange losses, and other miscellaneous losses has been reclassified to other expense and losses.

EXTRACT OF INDEPENDENT AUDITORS' REPORT

The following is an extract of the independent auditors' report on the Group's consolidated financial statements for the year ended 31 December 2014:

"EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to note 2.1 to the consolidated financial statements, which indicates that the Group incurred a net loss of RMB72,170,000 during the year ended 31 December 2014 and, as of that date, the Group's current liabilities exceeded its current assets by RMB673,585,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. As explained in note 2.1 to the consolidated financial statements, these consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the Group's ability to renew its bank borrowings upon maturity, to improve its business operation to generate adequate cash flows, and to source financing from its ultimate parent company to meet the Group's financial obligations as and when they fall due in the foreseeable future."

REVIEW AND OUTLOOK

Market Review

The slowing down of the PRC's economic growth and the stagnated global market inevitably exerted an adverse impact to the PRC's textile industry. Coupled with the persistent appreciation of the Renminbi ("RMB") and the increasing production costs in the PRC, the business environment including the textile export of the PRC's textile manufacturers was still challenging. For the Year under review, the average price of acrylonitrile (the major raw material for the production of the Group's products) in the PRC market increased, and the average price of acrylic fiber products also increased. Nevertheless, as a result of a greater magnitude in the increase in average price of acrylonitrile as compared to that of the increase in the average price of acrylic fiber products, the price difference between acrylic fiber products and acrylonitrile reduced, which reduced the profitability of acrylic fiber manufacturers. Though the PRC carbon fiber market is still in its primary stage of development, with the improvement in the product quality of the Group's carbon fiber precursor and the production technology of the downstream carbonization plants, the Group expects that the market demand of the Group's carbon fiber precursor will accelerate.

Sales Review

The Group's revenue was approximately RMB1.9 billion for the Year, representing an increase of approximately 32% as compared to approximately RMB1.5 billion for the previous year. The sales volume of the Group's acrylic fiber and carbon fiber products amounted to 120,919 tons, increased by approximately 28% from 94,705 tons for the previous year. The average unit selling price of acrylic fiber products for the Year was RMB15,813 per ton, increased slightly by approximately 3% as compared to that of the previous year. The price differential between the average selling prices of the Group's acrylic fiber products and its major raw material, acrylonitrile, was RMB3,796 per ton for the Year, representing a decrease of approximately 17% from RMB4,591 per ton in the previous year. The total volume of the acrylic fiber products produced by the Group (together with its joint venture) in the Year was 227,635 tons, accounting for about 32% of the total production volume of the domestic acrylic fiber market in PRC. Sales of the Group's carbon fiber products were 1,111 tons for the Year (2013: 506 tons), represented an increase of approximately 120% as compared to the previous year. The revenue of the Group's carbon fiber products still accounted for an insignificant part of the Group's overall revenue.

Production Management

The Group's total production output was approximately 123,646 tons for the Year, representing an increase of 31% as compared to that for the previous year. Production output of carbon fiber products in 2014 was about 1,271 tons (2013: 619 tons). During the Year, the Group continued to implement stringent cost control measures and adhere to order-based production and inventory level control in order to further enhance operating efficiency. The Group has also conducted continual technical reform, quality improvement and waste reduction projects, which set up a solid foundation to stabilise production process, improve production quality and reduce production cost.

Employees

As at 31 December 2014, the Group had 2009 employees, representing a decrease of 161 employees as compared to 2,170 employees as at 31 December 2013. The Group's staff remuneration packages were determined with reference to the prevailing market practices (including a performance-based incentive bonus). The Group also provided continuous training to employees at all levels. During the Year, the Group provided its employees with numerous training opportunities corresponding to the various functions of their positions including product quality control, production safety and environmental protection. The Group also conducted performance evaluations of all employees.

FINANCIAL ANALYSIS

Operating results

The revenue of the Group amounted to approximately RMB1.9 billion for the Year, representing an increase of approximately 32% from approximately RMB1.5 billion for the year ended 31 December 2013. The increase in overall revenue was mainly due to the increase in the sales volume of the Group's products by approximately 28% in 2014. During the Year, the Group's total sales volume was 120,919 tons and total production volume was 123,646 tons, representing a sales-to-production ratio of approximately 98% (2013: 100%). Loss attributable to the owners of the Company for the Year was approximately RMB72 million, reduced significantly from a loss of approximately RMB92 million for year 2013. The substantial decrease in loss of the Group for the Year was mainly attributable to the increase in sales volume of the products of the Group. During the Year, the gross profit margin of the Group increased to 7.1% from 6.8% in 2013, which was primarily due to the substantial increase in sales volume which reduced the average unit cost of the Group's products.

Operating expenses (distribution costs and administrative expenses)

Distribution costs increased from approximately RMB37.6 million for the year ended 31 December 2013 to approximately RMB47.4 million for the Year. The increase in distribution costs was primarily resulted from the increase in transportation costs due to the increase in sales volume during the Year. Administrative expenses decreased from approximately RMB116.6 million for the year ended 31 December 2013 to approximately RMB103.6 million for the Year due to the full amortisation of the Group's intangible asset in the previous year and the general decrease in expenses as a result of the Group's cost saving measure.

Net other gains (the net aggregate amount of other income, other expenses and other (losses)/gains – net)

Net other gains for the Year was approximately RMB123.0 million, as compared to that of approximately RMB123.5 million for the year ended 31 December 2013. The decrease in net other gains in the Year was primarily due to the decrease in other income from the provision of utilities.

Net finance costs

Net finance costs increased from approximately RMB137.2 million for the year ended 31 December 2013 to approximately RMB144.9 million for the Year. The increase in net finance costs was primarily resulted from the increase in borrowing costs of the Group.

Share of loss of a joint venture

The Group's share of 50% of the loss of its joint venture, Jilin Jimont Acrylic Fiber Co., Ltd. ("Jimont"), under the equity method of accounting amounted to approximately RMB32.4 million for the Year (2013: loss of RMB14.9 million). The increase in the loss of Jimont was primarily resulted from the market conditions as described in this announcement, which also had a similar impact on the financial performance of Jimont during the Year.

Financial resources, liquidity and liability position

As of 31 December 2014, the Group's total assets and total liabilities were approximately RMB2.92 billion and RMB2.26 billion, respectively. As of 31 December 2014, the Group's net current liabilities amounted to approximately RMB674 million and its current ratio, calculated by dividing its current assets by its current liabilities as of 31 December 2014, was approximately 0.64 (2013: 0.61). The Group had cash in hand and cash at bank and restricted bank deposits of approximately RMB57.8 million and RMB143.7 million, respectively as of 31 December 2014. As of 31 December 2014, the total bank borrowings of the Group amounted to approximately RMB1.74 billion, out of which approximately RMB1.31 billion was short-term bank borrowings, approximately RMB120.6 million was current portion of long-term borrowings and approximately RMB307.7 million was the non-current portion of long term bank borrowings. Approximately 77.8% of the Group's bank borrowings bear floating interest rates. The bank borrowings were mainly used for the expansion of production facilities and the construction of the thermal power plant as well as the development of the carbon fiber precursor project. The net decrease in bank borrowings was approximately RMB47.1 million during the Year. All of the Group's bank borrowings are denominated in Renminbi. Therefore, the management believes that the Group is exposed to minimal foreign exchange risks and has not made any foreign currency hedging arrangement. As of 31 December 2014, the Group's gearing ratio, calculated by dividing total liabilities by total assets, was approximately 77.3% (2013: 75.9%)

INVESTMENT REVIEW

Joint venture

Our joint venture, Jimont, was established on 21 December 2005 with a total registered share capital of RMB450 million. The Group holds 50.00% equity interest in the joint venture, whereas Montefibre S.p.A ("Montefibre") and SIMEST S.p.A hold 39.36% and 10.64% respectively. The total fixed asset investment in phase one of the acrylic fiber project with annual production capacity of 100,000 tons was approximately RMB1.02 billion, which was mainly financed by bank borrowings and capital contribution from the joint venture partners. All joint venture partners had paid up their capital contributions according to their respective share of equity interest in the joint venture prior to 2007. The joint venture is principally engaged in the production and sales of acrylic fiber products. As disclosed in the announcement of the Company dated 18 December 2013, the Company has been notified by Montefibre of its intention to enter into voluntary winding up, and that as part of its proposed voluntary winding up, Montefibre will make its investment in Jimont available for sale. On 27 February 2015, pursuant to the JV Contract, Montefibre served a formal notice of the proposed sale of the Sale Equity (for itself and on behalf of SIMEST) to the Company of its intention to transfer 50% of the equity interest in Jimont to a third party purchaser (the "Purchaser"), which is a company established in the PRC, for a consideration of more than RMB100,000,000. Montefibre has, through this formal notice, also sought the Company's decision as to whether it would exercise its Right of First Refusal to acquire the 50% equity interest in Jimont at a price equal to or higher than RMB100,000,000. The Board resolved not to exercise the Right of First Refusal and notified Montefibre of its decision in writing on 13 March 2015.

In 2014, the sales volume and production volume of the joint venture reached 105,261 tons and 105,260 tons, respectively, representing a sales-to-production ratio of approximately 100%. The utilisation rate of the joint venture production plant was 100%. The loss of the joint venture was approximately RMB64.8 million in the year ended 31 December 2014 (2013: loss of RMB29.9 million). The decrease in the profitability of the joint venture was mainly due to impact of the market conditions described in the section headed "Market Review" of this announcement.

Bank deposits

As of 31 December 2014, the Group did not hold deposits under trusts in any financial institutions in the PRC. All of the Group's cash was held in commercial banks in the PRC in accordance with applicable laws and regulations. Except for restricted bank deposits of approximately RMB143.7 million, the Group had no bank deposits which cannot be withdrawn upon maturity.

Pledged assets

As of 31 December 2014, certain properties, plants and equipment, trade and other receivables with a net book value of approximately RMB416.1 million and RMB172.3 million, respectively (as of 31 December 2013: RMB277.1 million and RMB50.0 million, respectively) were pledged as securities for bank borrowings of approximately RMB313 million (as of 31 December 2013: RMB356 million). In addition, bank deposits of approximately RMB89 million and RMB7 million (2013: RMB30.0 million and RMB0.1 million respectively) were pledged for the issue of certain trade and bills payables and letters of credit, respectively, for the Group's purchases of raw materials, plant and machinery from certain overseas suppliers.

Contingent liabilities

The Group had no material contingent liabilities as of 31 December 2014.

Dividend

The Board does not recommend the declaration of a dividend for the year ended 31 December 2014 (2013: Nil).

OUTLOOK

Looking forward, with the development of the PRC economy and textile industry as well as the adjustments to macroeconomic policies of the PRC, the Group expects the following new opportunities and prospects for its business:

1. Development of carbon fiber: The Group has reached a production capacity of 5,000 tons per annum of its carbon fiber precursor. The Group believes that with the development of the carbon fiber market, the carbon fiber products will bring about larger market potential and long-term economic benefits to the Group.

2. Development of differentiated acrylic fiber: Development of differentiated acrylic fiber will become one of the main drivers for the future development of the acrylic fiber industry in China. The Group will enhance the marketing and promotion of the anti-pilling acrylic fiber, highlight acrylic fiber and high strength acrylic fiber which will bring about additional economic benefits for the Group. The Group is committed to the development of differentiated acrylic fiber to enhance its competitiveness in the market for differentiated acrylic fiber products in China.

3. Favorable raw material supply condition: Due to the production expansion of several PRC acrylonitrile manufacturers, the total supply of the Group's major raw material, acrylonitrile, in China is expected to increase substantially in the foreseeable future. Coupled with the significant decline in the international crude oil price since recently, the Group expects the shortage in supply of acrylonitrile will be alleviated and the price of acrylonitrile will decline accordingly.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE

The Company has adopted the Code on Corporate Governance Practices (the "Code") issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and has complied with the relevant code provisions and most of the recommended best practices during the Year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the Model Code contained in Appendix 10 of the Listing Rules as the code of conduct for securities transactions by the Company's Directors. The Directors have confirmed, following specific enquiry by the Group that they have complied with the required standards set out in the Model Code for the Year.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial report matters including the review of the Group's consolidated annual results for the year ended 31 December 2014.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

For the year ended 31 December 2014, neither the Company nor any of its subsidiary, joint venture and fellow subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CLOSURE OF REGISTER OF MEMBERS

Persons whose names appear on the register of members of the Company by close of business on 22 May 2015 will be entitled to attend and vote at the forthcoming annual general meeting of the Company ("**AGM**"). The register of members of the Company will be closed from 26 May 2015 to 24 June 2015, both days inclusive, during which period no transfer of shares will be effected. In order to qualify to attend the AGM, all share certificates accompanied by the duly completed transfer forms must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited (address: Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong) not later than 4:30 p.m. on 22 May 2015.

PUBLICATION OF ANNUAL REPORT

The 2014 annual report of the Company will be published on the website of the Company (www.qifengfiber.com) and on the HKExnews website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) in due course.

By Order of the Board
Jilin Qifeng Chemical Fiber Co., Ltd.*
Song Dewu
Chairman

Jilin City, Jilin Province, The PRC
26 March 2015

* *The Company is a non- Hong Kong company under Part 16 of the Company Ordinance (Chapter 622 of the Laws of Hong Kong) registered under the English name "Jilin Qifeng Chemical Fiber Co., Ltd.".*

As at the date of this announcement, the executive Directors are Mr. Song Dewu, Mr. Yang Xuefeng, and Mr. Pan Xianfeng, the non-executive Directors are Ms. Pang Suet Mui, Mr. Sun Haichao, Mr. Jiang Junzhou and Mr. Ma Jun, and the independent non-executive Directors are Mr. Li Yanxi, Mr. Jin Jie, Mr. Lv Xiaobo, and Ms. Zhu Ping.