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

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

**(Stock Code: 549)**

**2015 FINAL RESULTS ANNOUNCEMENT**

**Financial and Operation Highlights**

- Profits attributable to owners of the Company was approximately RMB132 million, as compared to a loss of approximately RMB72 million in 2014.
- Revenue was approximately RMB1.8 billion, representing a decrease of approximately 6% as compared to 2014.
- The overall gross profit margin of the Group increased from 7.9% in 2014 to 18.6% in 2015.
- The Group's share of 50% of the profit of its joint venture, Jilin Jimont Acrylic Fiber Co., Ltd., for 2015 under the equity method of accounting amounted to approximately RMB21.7 million (2014: loss of RMB32.4 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 2015 (the "Year") (the "Results Announcement"), with comparative figure for the year ended 31 December 2014 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 2015

	Notes	2015 RMB'000	2014 RMB'000 (Restated)
Turnover	2	<b>1,787,074</b>	1,895,910
Cost of sales		<b>(1,455,327)</b>	(1,746,747)
<b>Gross profit</b>		<b>331,747</b>	149,163
Other income and gains	3	<b>464,634</b>	486,899
Distribution costs		<b>(62,001)</b>	(46,385)
Administrative expenses		<b>(80,751)</b>	(75,511)
Other expenses and losses	4	<b>(379,597)</b>	(365,866)
<b>Operating profit</b>		<b>274,032</b>	148,300
Finance income	5	<b>5,492</b>	1,735
Finance costs	5	<b>(118,982)</b>	(135,730)
		<b>160,542</b>	14,305
Share of result of a joint venture		<b>21,682</b>	(32,387)
<b>Profit/(loss) before income tax</b>	6	<b>182,224</b>	(18,082)
Income tax expense	7	<b>(5,429)</b>	(3,347)
<b>Profit/(loss) after income tax from continuing operations</b>		<b>176,795</b>	(21,429)
Loss for the year from discontinued operations	13	<b>(44,615)</b>	(50,741)
<b>Profit/(loss) and total comprehensive income for the year attributable to owners of the Company</b>		<b>132,180</b>	(72,170)
<b>Earnings/(loss) per share attributable to owners of the Company (expressed in RMB cents per share)</b>			
<b>From continuing and discontinued operations</b>			
– basic and diluted	8	<b>15.2</b>	(8.3)
<b>From continuing operations</b>			
– basic and diluted	8	<b>20.4</b>	(2.5)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Notes	2015 RMB'000	2014 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Land use rights		70,585	80,735
Property, plant and equipment		911,730	1,426,090
Intangible assets		3,667	—
Interest in a joint venture		149,259	127,304
Deferred income tax assets		48,914	68,129
Prepayments and other receivables	10	144,500	2,785
		<u>1,328,655</u>	<u>1,705,043</u>
<b>Current assets</b>			
Inventories		208,683	345,256
Trade and other receivables	11	802,515	663,323
Land use rights		3,321	3,898
Restricted bank deposits		62,151	143,657
Cash and cash equivalents		67,620	57,814
		<u>1,144,290</u>	<u>1,213,948</u>
<b>Total assets</b>		<u><b>2,472,945</b></u>	<u><b>2,918,991</b></u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital		866,250	866,250
Share premium		142,477	142,477
Other reserves		31,919	31,919
Accumulated losses		(246,668)	(378,848)
<b>Total equity</b>		<u><b>793,978</b></u>	<u><b>661,798</b></u>

	Notes	2015 RMB'000	2014 RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term bank borrowings		115,154	307,697
Deferred income		40,872	61,963
		<u>156,026</u>	<u>369,660</u>
<b>Current liabilities</b>			
Trade and other payables	12	354,661	445,617
Deferred income		7,027	7,274
Short-term bank borrowings		1,058,710	1,309,099
Current portion of long-term bank borrowings		102,543	120,551
Derivative financial instrument		—	4,992
		<u>1,522,941</u>	<u>1,887,533</u>
<b>Total liabilities</b>		<u>1,678,967</u>	<u>2,257,193</u>
<b>Total equity and liabilities</b>		<u>2,472,945</u>	<u>2,918,991</u>
<b>Net current liabilities</b>		<u>(378,651)</u>	<u>(673,585)</u>
<b>Total assets less current liabilities</b>		<u>950,004</u>	<u>1,031,458</u>

## 1. BASIS OF PREPARATION

### 1.1 Basis of preparation and going concern assumption

As at 31 December 2015, the Group's current liabilities exceeded its current assets by RMB378,651,000 (2014: RMB673,585,000) and the bank borrowings as included in the Group's current liabilities amounted to RMB1,161,253,000 (2014: RMB1,429,650,000). 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, Jilin Chemical Fiber Group Co., Ltd. ("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 adjustments 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 and 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 HKFRS 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 included in annual report.

## 1.2 Adoption of new/revised HKFRSs – effective on 1 January 2015

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 2015:

Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle

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

- <sup>1</sup> Effective for annual periods beginning on or after 1 January 2018
- <sup>2</sup> Effective for first annual HKFRS financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group
- <sup>3</sup> Effective for annual periods beginning on or after 1 January 2016
- <sup>4</sup> On 6 January 2016, the HKICPA issued “Effective Date of Amendments to HKFRS 10 and HKAS 28”, following the International Accounting Standards Board’s equivalent amendments. This update defers/removes the effective date of the amendments in “Sale or Contribution of Assets between an Investor or its Associate or Joint Venture” that the HKICPA issued on 7 October 2014. Early application of these amendments continues to be permitted.

## **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. The operating segment for carbon fiber products was disposed of on 30 June 2015 and become discontinued operations.

All of the Group’s continuing operations and its assets are located in the PRC except that, a portion of the Group’s revenue from continuing operations of RMB266,784,000 (2014: RMB221,904,000) 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 segment of acrylic 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 from continuing and discontinued operations for the year ended 31 December 2015 consists of sales from the acrylic fiber products segment and carbon fiber products segment of RMB1,787,074,000 (2014: RMB1,895,910,000) and RMB46,628,000 (2014: RMB45,639,000) respectively.

The Group does not have any inter-segment sales during the years ended 31 December 2015 and 2014.

The segment information provided to the Decision-Makers for the years ended 31 December 2015 and 2014 is as follow:

### Segment revenue and results

	<b>Continuing operations Acrylic fiber products RMB'000</b>	<b>Discontinued operations Carbon fiber products RMB'000</b>	<b>Total RMB'000</b>
<b>Year ended 31 December 2015</b>			
Total revenue from external customers	<u>1,787,074</u>	<u>46,628</u>	<u>1,833,702</u>
Adjusted segment results (Note)	397,523	6,737	404,260
(Provision for)/reversal of impairment on inventories	(1,407)	3,842	2,435
Share of result of a joint venture	21,682	—	21,682
Depreciation and amortisation	(121,863)	(13,990)	(135,853)
Income tax expenses	(5,429)	(475)	(5,904)
Loss on disposal of a subsidiary	—	(36,992)	(36,992)
	<u>290,506</u>	<u>(40,878)</u>	<u>249,628</u>
<u>Other information:</u>			
Additions to property, plant and equipment	<u>30,902</u>	<u>—</u>	<u>30,902</u>
<b>Year ended 31 December 2014</b>			
Total revenue from external customers	<u>1,895,910</u>	<u>45,639</u>	<u>1,941,549</u>
Adjusted segment results (Note)	309,696	5,155	314,851
Impairment on inventories	(2,473)	(10,487)	(12,960)
Share of result of a joint venture	(32,387)	—	(32,387)
Depreciation and amortisation	(166,167)	(26,686)	(192,853)
Income tax expenses	(3,347)	(950)	(4,297)
	<u>105,322</u>	<u>(32,968)</u>	<u>72,354</u>
<u>Other information:</u>			
Additions to property, plant and equipment	<u>21,603</u>	<u>1,958</u>	<u>23,561</u>

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 profit/(loss) before income tax is provided as follows:

	<b>2015</b> <b>RMB'000</b>	2014 RMB'000
Adjusted segment results for reportable segments	<b>404,260</b>	314,851
Reversal of/(provision for) impairment on inventories	<b>2,435</b>	(12,960)
Depreciation and amortisation	<b>(135,853)</b>	(192,853)
Net (loss)/gain on derivative financial instrument	<b>(221)</b>	380
Finance costs - net	<b>(117,227)</b>	(144,904)
Share of result of a joint venture	<b>21,682</b>	(32,387)
Loss on disposal of a subsidiary	<b>(36,992)</b>	—
	<b>(266,176)</b>	(382,724)
Profit/(loss) before income tax	<b>138,084</b>	(67,873)

	<b>2015</b> <b>RMB'000</b>	2014 RMB'000
<b>Represented by:</b>		
Continuing operations	<b>182,224</b>	(18,082)
Discontinued operations	<b>(44,140)</b>	(49,791)
	<b>138,084</b>	(67,873)

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 group entities under JCF Groupco, 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 RMB138,605,000 (2014: RMB159,871,000), representing the related income net of direct outgoings (other than depreciation charge), which is attributable to the provisions of surplus utilities to group entities under JCF Groupco, joint venture, JCFCL, other related parties and third parties.

## Segment assets and liabilities

	Continuing operations Acrylic fiber products RMB'000	Discontinued operations Carbon fiber products RMB'000	Total RMB'000
<b>As at 31 December 2014</b>			
Total segment assets	<u>2,218,620</u>	<u>632,242</u>	<u>2,850,862</u>
Total segment assets include:			
Interest in a joint venture	<u>127,304</u>	<u>—</u>	<u>127,304</u>
Total segment liabilities	<u>425,350</u>	<u>89,504</u>	<u>514,854</u>

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.

At 31 December 2014, reportable segment assets are reconciled to total assets per consolidated statement of financial position as follows:

	As at 31 December 2014 RMB'000
Segment assets for reportable segments	2,850,862
Unallocated:	
Deferred income tax assets	<u>68,129</u>
Total assets per consolidated statement of financial position	<u>2,918,991</u>

At 31 December 2014, reportable segment liabilities are reconciled to total liabilities per consolidated statement of financial position as follows:

	As at 31 December 2014 RMB'000
Segment liabilities for reportable segments	514,854
Unallocated:	
Borrowings	1,737,347
Derivative financial instrument	4,992
	<u>1,742,339</u>
Total liabilities per consolidated statement of financial position	<u><u>2,257,193</u></u>

Upon disposal of carbon fiber products business, the Group principally operates in one segment, namely acrylic fiber products. Therefore, no segment assets and liabilities is presented as at 31 December 2015.

### 3. OTHER INCOME AND GAINS

	2015 RMB'000	2014 RMB'000 (Restated)
<b>Continuing operations:</b>		
Other income		
Rental income	376	612
Income from provision of utilities	420,603	461,725
Amortisation of deferred income	6,963	6,024
Sales of raw materials	15,503	10,725
Subsidy income (Note i)	6,165	1,063
Inspection fee income (Note ii)	1,975	2,017
Others	300	740
	<u>451,885</u>	<u>482,906</u>
Other gains		
Gain attributable to equity interests of a joint venture	273	273
Gain on disposal of land use rights	3,697	—
Gain on disposal of property, plant and equipment, net	3,881	—
Foreign exchange gain, net	4,898	—
Reversal of impairment loss on trade and other receivables, net	—	3,340
Net gain arising on derivative financial instrument	—	380
	<u>12,749</u>	<u>3,993</u>
	<u><u>464,634</u></u>	<u><u>486,899</u></u>
<b>Discontinued operations:</b>		
Other income		
Amortisation of deferred income	625	1,250
Sales of raw materials	—	234
Subsidy income	—	1,175
Others	15	—
	<u>640</u>	<u>2,659</u>

Notes:

- (i) Subsidy income mainly represents the rewards received from local government in relation to the contribution of improving water quality by processing sewage for the past few years. There are no unfulfilled conditions or contingencies relating to these subsidies.
- (ii) Inspection fee income mainly represents the quality inspection service provided to the joint venture.

#### 4. OTHER EXPENSES AND LOSSES

	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000 (Restated)
<b>Continuing operations:</b>		
Other expenses		
Direct outgoings in respect of provision of utilities	<b>(337,863)</b>	(354,897)
Cost of raw materials	<b>(26,370)</b>	(10,908)
Others	—	(61)
	<u><b>(364,233)</b></u>	<u>(365,866)</u>
Other losses		
Impairment loss on trade and other receivables, net	<b>(15,143)</b>	—
Net loss on derivative financial instrument	<b>(221)</b>	—
	<u><b>(15,364)</b></u>	<u>—</u>
	<u><b>(379,597)</b></u>	<u>(365,866)</u>
<b>Discontinued operations:</b>		
Other expenses		
Others	—	(22)
	<u>—</u>	<u>(22)</u>
Other losses		
Impairment loss on trade and other receivables, net	—	(717)
	<u>—</u>	<u>(717)</u>
	<u><b>—</b></u>	<u><b>(739)</b></u>

## 5. FINANCE INCOME AND COSTS

	2015 RMB'000	2014 RMB'000 (Restated)
<b>Continuing operations:</b>		
Bank interest income	(2,038)	(1,735)
Interest income on consideration receivables	(3,472)	—
	<u>(5,510)</u>	<u>(1,735)</u>
Finance income	(5,510)	(1,735)
Interest expenses on bank borrowings	104,125	135,730
Bank borrowings guarantee fees to the ultimate parent company	14,875	—
	<u>119,000</u>	<u>135,730</u>
Finance costs	119,000	135,730
Finance costs – net	<u>113,490</u>	<u>133,995</u>
<b>Discontinued operations:</b>		
Interest income	(708)	(797)
Interest expenses on bank borrowings	4,445	10,506
Bank borrowings guarantee fees to the ultimate parent company	—	1,200
	<u>4,445</u>	<u>11,706</u>
Finance costs	4,445	11,706
Finance costs – net	<u>3,737</u>	<u>10,909</u>

Note:

With effect from 1 January 2011, the ultimate parent company has charged 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 2015.

## 6. PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(loss) before income tax is stated after charging/(crediting):

	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000 (Restated)
<b>Continuing operations:</b>		
Inventories recognised as an expense		
– for production of fiber products	<b>1,456,734</b>	1,749,220
– provision for impairment on inventories	<b>1,407</b>	2,473
Depreciation	<b>117,664</b>	162,301
Amortisation of		
– land use rights	<b>3,866</b>	3,866
– intangible assets (included in administrative expenses)	<b>333</b>	—
Employee benefit expenses	<b>124,325</b>	116,188
Minimum lease payment	<b>13,178</b>	14,664
Auditors' remuneration		
– audit services	<b>1,235</b>	1,180
	<u><u>          </u></u>	<u><u>          </u></u>
<b>Discontinued operations:</b>		
Inventories recognised as an expense		
– for production of fiber products	<b>35,606</b>	67,806
– (reversal of)/provision for impairment on inventories	<b>(3,842)</b>	10,487
Depreciation	<b>13,975</b>	26,654
Amortisation of		
– land use rights	<b>15</b>	32
Employee benefit expenses	<b>4,987</b>	11,285
Auditors' remuneration		
– audit services	<b>—</b>	135
	<u><u>          </u></u>	<u><u>          </u></u>

## 7. INCOME TAX EXPENSE

The amount of income tax expenses to the consolidated statement of comprehensive income represents:

	<b>2015</b> <b>RMB'000</b>	2014 RMB'000 (Restated)
<b>Continuing operations</b>		
Current income tax – PRC corporate income tax	—	—
Deferred income tax		
– charge for the year	<u>5,429</u>	<u>3,347</u>
Income tax expenses	<u>5,429</u>	<u>3,347</u>
<b>Discontinued operations</b>		
Current income tax – PRC corporate income tax	—	—
Deferred income tax		
– charge for the year	<u>475</u>	<u>950</u>
Income tax expenses	<u>475</u>	<u>950</u>
Total	<u><u>5,904</u></u>	<u><u>4,297</u></u>

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 2015 (2014: Nil).



## 8. EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings/(loss) per share attributable to the owners of the Company is based on the following data:

Profit/(loss) attributable to owners of the Company

	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000 (Restated)
<b>For continuing and discontinued operations:</b>		
Profit/(loss) for the purposes of basic and diluted earnings/(loss) per share	<u><b>132,180</b></u>	<u>(72,170)</u>
<b>For continuing operations:</b>		
Profit/(loss) for the purposes of basic and diluted earnings/(loss) per share	<u><b>176,795</b></u>	<u>(21,429)</u>
<b>For discontinued operations:</b>		
Loss for the purposes of basic and diluted loss per share	<u><b>(44,615)</b></u>	<u>(50,741)</u>
<b>Number of shares:</b>	<b>(in thousand)</b>	(in thousand)
Weighted average number of ordinary shares for the purposes of basic and diluted earnings/(loss) per share	<u><b>866,250</b></u>	<u>866,250</u>

Basic earnings/(loss) per share are calculated by dividing the profit/(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 (2014: 866,250,000) shares.

The Company has no potential dilutive shares in issue during the year ended 31 December 2015 and 2014 and therefore the diluted earnings/(loss) per share is equal to the basic earnings/(loss) per share.

## 9. DIVIDEND

The Company's directors do not recommend the payment of any dividend for the year ended 31 December 2015 (2014: nil).

## 10. PREPAYMENTS AND OTHER RECEIVABLES – NON CURRENT

	2015 RMB'000	2014 RMB'000
Prepayments	—	2,785
Trade receivables (Note 11(a))	3,369	—
Other receivables	10,978	—
Consideration receivables (Note 14)	130,153	—
	<u>144,500</u>	<u>2,785</u>

The prepayments classified as non-current assets were all associated with the Group's purchases of property, plant and equipment.

## 11. TRADE AND OTHER RECEIVABLES

	2015 RMB'000	2014 RMB'000
Trade receivables (Note a)	102,626	112,255
Less: provision for impairment	(5,589)	(5,984)
Trade receivables – net	97,037	106,271
Bills receivables	85,541	190,123
Amounts due from related companies	525,168	266,190
Other receivables	58,468	76,911
Less: provision for impairment	(13,406)	(1,886)
Other receivables – net	45,062	75,025
Prepayments	53,008	25,714
Less: provision for impairment	(3,301)	—
Prepayments – net	49,707	25,714
	<u>802,515</u>	<u>663,323</u>

Notes:

- (a) The Group's sales are normally conducted on cash on delivery terms or a credit term of 30-90 days. Aging analysis of trade receivables based on invoice date are as follows:

	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
0 – 30 days	<b>41,112</b>	66,456
31 – 90 days	<b>44,207</b>	22,183
91 – 365 days	<b>8,681</b>	7,733
Over 365 days	<b>6,406</b>	9,899
	<b>100,406</b>	106,271
	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
Represented by:		
Current portion	<b>97,037</b>	106,271
Non-current portion	<b>3,369</b>	—
	<b>100,406</b>	106,271

## 12. TRADE AND OTHER PAYABLES

	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
Trade payables (Note a)	<b>150,055</b>	170,540
Bank bills payables	<b>70,600</b>	140,000
Amounts due to related companies	<b>10,002</b>	6,992
Other payables and accruals	<b>124,004</b>	128,085
	<b>354,661</b>	445,617

Notes:

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

	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
0 – 30 days	<b>57,085</b>	71,628
31 – 90 days	<b>61,779</b>	41,261
91 – 365 days	<b>24,990</b>	46,533
Over 365 days	<b>6,201</b>	11,118
	<b>150,055</b>	170,540

### 13. DISCONTINUED OPERATIONS

On 26 June 2015, the Group entered into an equity transfer agreement with Jilin City Guosheng Asset Management Co., Ltd. (“Guosheng”), pursuant to which, the Group agreed to dispose of its 100% entire interest in Jilin Tangu Carbon Fiber Co., Ltd (“Tangu”) for a consideration of RMB157,768,000 (the “Consideration”). On 30 June 2015, the equity transfer agreement became effective under the approval by the State-owned Assets Supervision & Administration Commission of the People’s Government of Jilin City. The results of the disposed subsidiary for the years ended 31 December 2015 and 2014 were as follows:

	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
<b>Turnover</b>	<b>46,628</b>	45,639
<b>Cost of sales</b>	<b>(39,448)</b>	(57,319)
<b>Gross profit/(loss)</b>	<b>7,180</b>	(11,680)
Distribution costs	<b>(830)</b>	(1,013)
Administrative expenses	<b>(10,401)</b>	(28,109)
Other income and gains	<b>640</b>	2,659
Other expenses and losses	<b>—</b>	(739)
<b>Operating loss</b>	<b>(3,411)</b>	(38,882)
Finance income	<b>708</b>	797
Finance costs	<b>(4,445)</b>	(11,706)
<b>Loss before income tax</b>	<b>(7,148)</b>	(49,791)
Income tax expenses	<b>(475)</b>	(950)
<b>Loss after income tax</b>	<b>(7,623)</b>	(50,741)
Loss on disposal of a subsidiary	<b>(36,992)</b>	—
<b>Loss for the year from discontinued operations</b>	<b>(44,615)</b>	(50,741)

		<b>For the six months ended 30 June 2015 RMB'000</b>	For the year ended 31 December 2014 RMB'000
<b>From discontinued operations</b>			
– basic and diluted (expressed in RMB cents per share)	<i>8</i>	<u><u>(5.2)</u></u>	<u><u>(5.8)</u></u>

#### 14. DISPOSAL OF A SUBSIDIARY

	<b>As at 30 June 2015 RMB'000</b>
<b>Assets disposed of:</b>	
Land use rights	6,333
Property, plant and equipment	406,192
Deferred income tax assets	13,311
Inventories	96,490
Trade and other receivables	65,825
Restricted bank deposits	52,201
Cash and cash equivalents	13,853
<b>Total assets</b>	<u>654,205</u>
<b>Liabilities disposed of:</b>	
Long term bank borrowings	105,000
Deferred income	13,750
Short term bank borrowings	16,000
Trade and other payables	324,695
<b>Total liabilities</b>	<u>459,445</u>
<b>Net assets</b>	194,760
<b>Loss on disposal of a subsidiary</b>	<u>(36,992)</u>
	<u>157,768</u>
Satisfied by:	
Consideration receivables (Note)	<u>157,768</u>

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	<b>As at 30 June 2015 RMB'000</b>
Cash and cash equivalents	<b><u>(13,853)</u></b>

Note:

During the year ended 31 December 2015, significant non-cash transaction includes the consideration of RMB157,768,000 from the disposal of a subsidiary. Consideration receivables are unsecured, interest bearing at rate of 4.35% per annum and will be repaid in three installments in the following three years. As at 31 December 2015, the carrying amount of consideration receivables is as follows:

	<b>2015 RMB'000</b>	2014 RMB'000
Consideration receivable:		
– Within 1 year	<b>31,087</b>	—
– Within 2 to 5 years (Note 10)	<b>130,153</b>	—
	<b><u>161,240</u></b>	<u>—</u>

## 15. COMPARATIVE FIGURE

### Comparative figures

Certain 2014 corresponding comparative figures have been reclassified to conform to current year's presentation.

Results from the disposed subsidiary were reclassified to the balance of loss from discontinued operations.

## **EXTRACT OF INDEPENDENT AUDITORS' REPORT**

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2015.

### **EMPHASIS OF MATTER**

Without qualifying our opinion, we draw attention to note 2.1 to the consolidated financial statements, as at 31 December 2015, the Group's current liabilities exceeded its current assets by RMB378,651,000. This condition indicates 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**

In 2015, the global economy was still full of uncertainties. The US economy was expanding at moderate pace, while the European economy was recovering slowly. China's economic growth was slowing down and the factory activity was contracting. The PRC government has continued its economic reforms to ensure persistent and long term economic growth. The slowdown of China's economic growth adversely affected the development of textile industry, resulted in a decline in the Group's acrylic fiber products. Meanwhile, overall supply of acrylonitrile in China continued to increase as a result of the expansion of acrylonitrile production capacity in China, which alleviated the supplier pressure of the raw material, acrylonitrile. During the year, due to faster industrial business turnover cycle, coupled with the Group's sustainable efforts in quality improvement of its products and further expansion into differentiated acrylic fiber market, the Group recorded improvements in its sales, production volume and market share.

## **Sales Review**

The Group's continuing operations recorded a sales revenue of approximately RMB1.8 billion for the Year, representing a decrease of approximately 6% as compared to approximately RMB1.9 billion for the previous year. The sales volume of the Group's acrylic fiber during the year was 137,872 tons, increased by approximately 15% from 119,808 tons for the previous year. The average unit selling price of acrylic fiber products for the Year was RMB12,962 per ton, decreased by approximately 18% as compared to that of the previous year. The total volume of the acrylic fiber products produced by the Group (together with its joint venture) in the Year was 248,680 tons, accounting for about 34% of the total production volume of the domestic acrylic fiber market in PRC. Sales of the Group's carbon fiber products (discontinued operations) were 1,043 tons for the Year (2014: 1,111 tons), represented a decrease of approximately 6% as compared to the previous year.

## **Production Management**

The Group's total production output from continuing operations was approximately 134,152 tons for the Year, representing an increase of 10% as compared to that for the previous year. Production output of carbon fiber products from discontinued operations in 2015 was about 1,254 tons (2014: 1,271 tons). During the Year, the Group enlarged its supplier base and strengthened raw material market analysis to enhance its purchasing function and inventory management. The Group continued to implement stringent cost control measures and adhere to order-based production 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 2015, the Group's continuing operations had 1,733 employees, representing a decrease of 108 employees as compared to 1,841 employees as at 31 December 2014. 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. The Group was in compliance with all relevant PRC laws and regulations regarding occupational health and safety in all material aspects.



## **Environmental Policies and Performance**

The Group set up and implemented internal environmental policies such as “Sewage Disposal Management Policy” (污水處理管理政策), “Emissions Management Policy” (排放管理政策), “Environmental Protection Management Standard” (環保管理標準) which are not less stringent than the relevant prevailing laws and regulations in the PRC. In the view of the Management, the Group was in compliance with relevant provisions “Thermal Power Plant Air Pollutant Emission Standards” (火電廠大氣污染物排放標準), “Industrial Environmental Noise Emission Standard” (工業企業廠界環境噪聲排放標準) and “Integrated Sewage Disposal Standard” (污水綜合排放標準) in the PRC.

## **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 opportunities and prospects for its business:

1. Development of differentiated acrylic fiber: The Group will commit to further developing differentiated acrylic fiber to enhance its competitiveness in the PRC’s acrylic fiber products market. The management believes that differentiated fiber products will become one of the major driving forces in the future development of acrylic fibers in the PRC. The Group is positioned to seize new business opportunities to further enhance the Group’s profitability.
2. Favourable raw material supply condition: Due to the production expansion plan of certain PRC acrylonitrile manufacturers, the total supply of the Group’s major raw material, acrylonitrile, in China is expected to further increase in the foreseeable future. Coupled with the significant decline in the international crude oil price, the Group expects the shortage in supply of acrylonitrile will be further alleviated.

## **FINANCIAL ANALYSIS**

### **Operating results**

The revenue of the Group amounted to approximately RMB1.8 billion for the Year, representing a decrease of approximately 6% from approximately RMB1.9 billion for the year ended 31 December 2014. The decrease in overall revenue was mainly due to the decrease in average unit price of the Group’s acrylic fiber products despite of the increase in sales volume by 18% during the year. During the Year, the Group’s total sales volume of the Group’s continuing operations was 137,872 tons and total production volume was 134,152 tons, representing a sales-to-production ratio of approximately 103% (2014: 98%). Profit attributable to the owners of the Company for the Year was approximately RMB132.2 million, increased significantly from a loss of approximately RMB72.2 million for year 2014. The substantial increase in profit of the Group for the Year was mainly attributable to the increase in sales volume and gross profit margin of the products of the Group.

### **Operating expenses (distribution costs and administrative expenses)**

Distribution costs of the Group's continuing operations increased from approximately RMB46.4 million for the year ended 31 December 2014 to approximately RMB62.0 million for the Year. The increase in distribution costs was primarily resulted from the increase in transportation costs due to increase in sales volume during the Year. Administrative expenses increased slightly from approximately RMB75.5 million for the year ended 31 December 2014 to approximately RMB80.8 million for the Year.

### **Net other gains (the net aggregate amount of other income and gains and other expenses and losses)**

Net other gains for the Year was approximately RMB85.0 million, as compared to that of approximately RMB121.0 million for the year ended 31 December 2014. The decrease in net other gains in the Year was primarily due to the decrease in net other income from the provision of utilities.

### **Net finance costs**

Net finance costs decreased from approximately RMB134.0 million for the year ended 31 December 2014 to approximately RMB113.5 million for the Year. The decrease in net finance costs was primarily resulted from the decrease in borrowing costs of the Group.

### **Share of result of a joint venture**

The Group's share of 50% of the profit of its joint venture, Jilin Jimont Acrylic Fiber Co., Ltd. ("Jimont"), under the equity method of accounting amounted to approximately RMB21.7 million for the Year (2014: loss of RMB32.4 million). The increase in the profit 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 2015, the Group's total assets and total liabilities were approximately RMB2.47 billion and RMB1.68 billion, respectively (2014: RMB2.92 billion and RMB2.26 billion respectively). As of 31 December 2015, the Group's net current liabilities amounted to approximately RMB378.7 million (2014: RMB673.6 million) and its current ratio, calculated by dividing its current assets by its current liabilities as of 31 December 2015, was approximately 0.75 (2014: 0.64). The Group had cash in hand and at bank and restricted bank deposits of approximately RMB67.6 million and RMB62.2 million, respectively, as of 31 December 2015 (2014: RMB57.8 million and RMB143.7 million respectively). As of 31 December 2015, the total bank borrowings of the Group amounted to approximately RMB1.28 billion (2014: RMB1.74 billion), out of which approximately RMB1.06 billion (2014: RMB1.31 billion) was short-term

bank borrowings, approximately RMB102.5 million (2014: RMB120.6 million) was current portion of long-term borrowings and approximately RMB115.2 million (2014: RMB307.7 million) was the non-current portion of long term bank borrowings. Approximately 61% 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 in the previous years. The net decrease in bank borrowings was approximately RMB460.9 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 2015, the Group's gearing ratio, calculated by dividing total liabilities by total assets, was approximately 67.9% (2014: 77.3%).

## **Capital Structure**

### **Placing of new H Shares and conversion of non-H foreign Shares to H Shares**

On 14 January 2016, a specific mandate was granted by the shareholders in shareholders' meetings of the Company to issue not more than 600,000,000 new H Shares (the "**Placing Shares**") pursuant to a proposed offer by way of private placing of the Placing Shares by or on behalf of the placing agent to the placee(s), on a best endeavour basis, on the terms and subject to the conditions set out in the placing agreement entered into between the Company and the placing agent on 29 September 2015 (the "**Placing**"). The 600,000,000 Placing Shares represent approximately 69.26% of the existing issued share capital of the Company as at the date of this annual report. On 14 January 2016, a specific resolution was also passed by the shareholders in shareholders' meetings of the Company to approve the conversion of 169,358,404 Non-H Foreign Shares to H Shares (the "**Conversion**"). After completion of the Conversion, the 169,358,404 Non-H Foreign Shares (representing approximately 19.55% of the existing issued share capital as at the date of this annual report) will be cancelled and the 169,358,404 H Shares newly issued pursuant to the Conversion will rank, when issued and fully paid, *pari passu* in all respects with the H Shares in issue as at the date of allotment and issue of such H Shares.

The Company is in the course of seeking approval from China Securities Regulatory Commission for the issuance and placement of the Placing Shares and the Conversion. For details of the Placing and Conversion, please refer to the announcements of the Company dated 29 September 2015 and 14 January 2016 and the circular of the Company dated 27 November 2015.

## **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 39.38% and 10.62% 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.

The Company was advised by Montefibre that they have reached an agreement with an independent third party, which is a company incorporated in the PRC for the transfer of 50% equity interest (Montefibre and SIMEST S.p.A hold 39.38 and 10.62% respectively) in Jimont. The agreement is subject to approval from the relevant PRC government authorities. Montefibre is in the course of seeking approval from the relevant PRC authorities to complete the transfer.

In 2015, the sales volume and production volume of the joint venture reached 117,005 tons and 114,528 tons (2014: 105,261 tons and 105,260 tons), respectively, representing a sales-to-production ratio of approximately 102% (2014: 100%). The utilisation rate of the joint venture production plant was 104% (2014: 100%). The profit of the joint venture was approximately RMB43.4 million in the year ended 31 December 2015 (2014: loss of RMB64.8 million). The increase in the profitability of the joint venture was mainly due to impact of the market conditions described in the section headed “Market Review”.

### **Disposal of a subsidiary (Discontinued operations)**

On 26 June 2015, the Group entered into an equity transfer agreement with Jilin City Guosheng Asset Management Co., Ltd. (the “Purchaser”), pursuant to which, the Group agreed to dispose its 100% entire interest in Jilin Tangu Carbon Fiber Co., Ltd. (“Tangu”) at a contract amount of RMB158,840,000. On 30 June 2015, the equity transfer agreement became effective under the approval of the disposal by the State-owned Assets Supervision & Administration Commission of the People’s Government of Jilin City. Tangu was engaged in the development, production, and sales of carbon fiber products in the PRC. The Group recorded a loss on disposal of approximately RMB37.0 million.

### **Bank deposits**

As of 31 December 2015, 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 RMB62.2 million (2014: RMB143.7 million), the Group had no bank deposits which cannot be withdrawn upon maturity.

### **Pledged assets**

As of 31 December 2015, certain properties, plants and equipment with a net book value of approximately RMB327.4 million (as of 31 December 2014: properties, plant and equipment, trade and other receivables with a net book value of approximately RMB416.1 million and RMB172.3 million, respectively) were pledged as securities for bank borrowings of approximately RMB287.7 million (as of 31 December 2014: RMB313.0 million). In addition, bank deposits of approximately RMB43.9 million and RMB18.2 million (2014: RMB89.0 million and RMB7.6 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, from certain overseas suppliers.

### **Contingent liabilities**

The Group had no material contingent liabilities as of 31 December 2015.

### **Dividend**

The Board does not recommend the declaration of a dividend for the year ended 31 December 2015 (2014: Nil).

## **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 2015.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

For the year ended 31 December 2015, other than the Placing for which the Company entered into a placing agreement on 29 September 2015, 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 14 May 2016 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 15 May 2016 to 15 June 2016, 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 13 May 2016.

## **PUBLICATION OF ANNUAL REPORT**

The 2015 annual report of the Company will be published on the website of the Company ([www.qifengfiber.com](http://www.qifengfiber.com)) and on the HKExnews website of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://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  
30 March 2016

\* *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 of the Company are Mr. Song Dewu, Mr. Yang Xuefeng and Mr. Pan Xianfeng, the non-executive directors of the Company are Ms. Pang Suet Mui, Mr. Wu Song, Mr. Jiang Junzhou and Mr. Ma Jun, and the independent non-executive directors of the Company are Mr. Li Yanxi, Mr. Jin Jie, Ms. Zhu Ping and Mr. Lv Xiaobo.*