海東青新材料集團有限公司*

COSTIN NEW MATERIALS GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2228

INTERIM REPORT 2010

* For identification purpose only

CONTENTS

Corporate Information

EXECUTIVE DIRECTORS

Mr. Chim Wai Kong *(Chairman)*
Mr. Chim Wai Shing Jackson *(Chief Executive Officer)*
Mr. Chim Fo Che
Mr. Hong Ming Qu

NON-EXECUTIVE DIRECTOR

Ms. Wee Kok Keng

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhu Min Ru
Mr. Feng Xue Ben
Mr. Wong Siu Hong

AUTHORISED REPRESENTATIVES

Mr. Chim Wai Shing Jackson
Mr. Chan Kwok Yuen Elvis

COMPANY SECRETARY

Mr. Chan Kwok Yuen Elvis

AUDITOR

RSM Nelson Wheeler
Certified Public Accountants

LEGAL ADVISER

Sidley Austin

INVESTOR RELATIONS CONSULTANT

Porda International (Finance) PR Group

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Trust (Cayman) Limited
Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17/F Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE

Scotia Centre 4th Floor
P.O. Box 2804
George Town
Grand Cayman KY1-1112
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

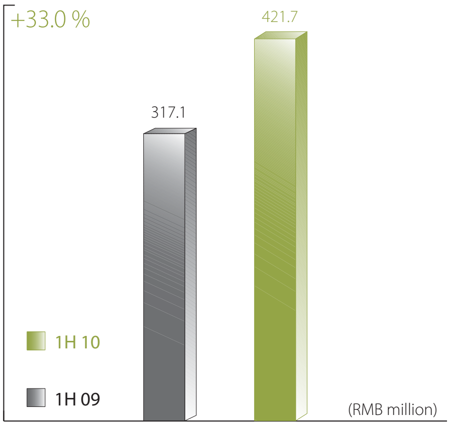
Suites 2703-04
27th Floor, Tower 6
The Gateway
Harbour City
Kowloon

WEBSITE

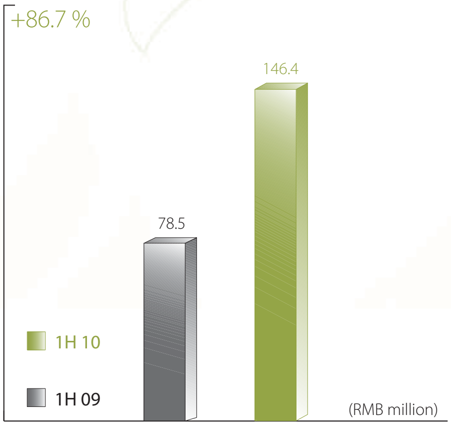
www.costingroup.com

Results Highlights

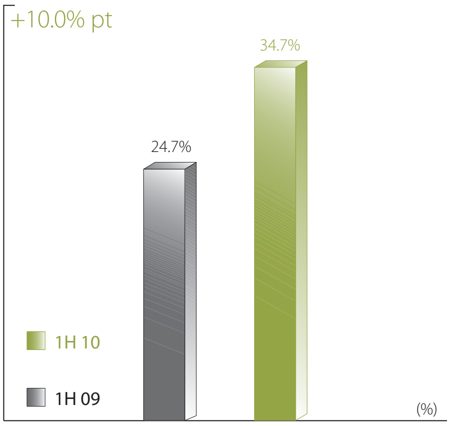
SALES



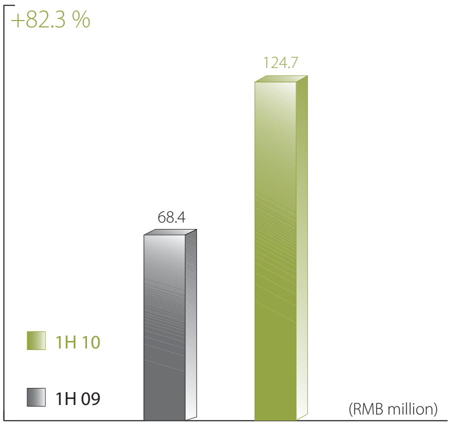
GROSS PROFIT



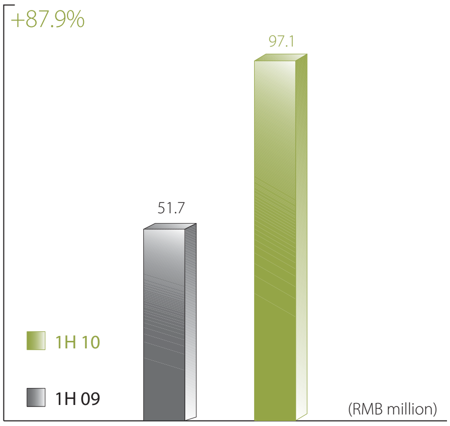
GROSS PROFIT MARGIN



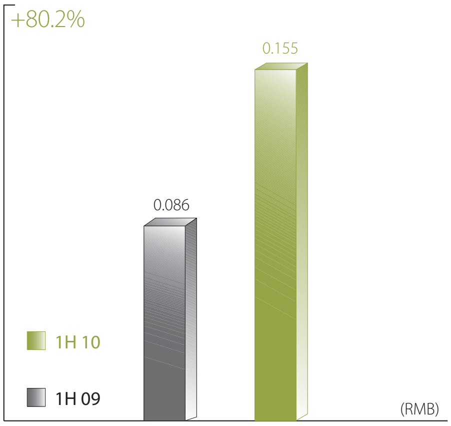
PROFIT FROM OPERATIONS



PROFIT FOR THE PERIOD



BASIC EARNINGS PER SHARE



Management Discussion and Analysis

MARKET REVIEW

In the first half of 2010, with the recovery in global economy and continual turnaround, it is believed that the pace of recovery in China was faster than the rest of the world. The stimulus packages launched by the Chinese government have been effective in maintaining and promoting its economic growth. Since 2009, under the guidance direction at central level for "promoting the development of new materials and advanced manufacturing science technology, accelerating the adjustment in the composition of the materials industry, facilitating the structural upgrade and strategy realignment of the manufacturing industry and developing manufacturing industry for advanced equipment", the Chinese government has implemented a series of macroeconomic polices which helped boost the development of the textile industry. The textile industry restructuring and revitalization plan, announced in 2009 by The State Council of the People's Republic of China (the "PRC" or "China"), set a number of development goals for the industry. The goals include the enhancement in technology and innovation capabilities, the fostering of key enterprises in the global market, the establishment of standards and public platform and the expansion of market of textiles categorized for industrial consumption. The above measures will undoubtedly create favorable market conditions to further drive the growth of the industry.

As part of China's effort to protect the environment, the Chinese government plans to reduce the intensity of carbon dioxide emissions per unit in 2020 by 40-45% as compared with the level of 2005. It is expected that the demand for filtration materials which curbs the impact of pollution will increase accordingly. With the higher filtration standard nowadays, woven fabrics can no longer fulfill such requirement. Non-woven fabrics, therefore, have gradually replaced woven fabrics and have been widely applied in different industries, presenting tremendous business opportunities for the Group.

BUSINESS REVIEW

On 21 June 2010, COSTIN New Materials Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with the support of investors, as well as the market's recognition of its competitive advantages in terms of the Group's strong research and development capability, ability to recruit well-trained and experienced technical staff and financial capacity to invest in advanced machinery and equipment. With a prosperous outlook in the non-woven fabrics sector, the Group's successful listing not only bolstered its own capital, but also further enhanced its corporate governance.

Diversify customer base with flexible product mix

By leveraging on its strategy of broadening its product offering, the Group has been emphasizing on enhancing the quality of products and widening the scope of applications of the non-woven fabrics and chemical fibres to fit customers from various industries during the period under review.

Different from conventional woven fabrics, the Group's non-woven fabrics provide a variety of functions such as absorbency, liquid repellency and flame resistance. They can be widely applied in various areas including as consumables for heavy industrial enterprises as well as raw materials for the manufacture of consumer products such as textiles, automobile and household decorations. In addition, the Group has successfully expanded the scope of the non-woven fabrics for filtration purpose including fume and smoke filtration to minimize the impact of industrial pollution.

During the period under review, the Group also continued the production of chemical fibres principally from recycled PET chips. Such chemical fibres can be used as raw materials for the production of environmentally friendly non-woven fabrics.

As the demand for non-woven fabrics and chemical fibres continues to grow, the Group will expand its product offerings and deliver high-quality products that meet the requirements of different customers. The versatile and increasing application of its products will in turn further broaden the Group's customer base and variety.

BUSINESS REVIEW (Continued)

Increase production capacity to meet growing demand

With an increasing demand for non-woven fabrics and chemical fibres, the Group has increased investment in its production facilities during the period under review. The expanded and additional production facilities have commenced operation in the end of the second quarter of 2010. Occupying a site area of approximately 6,666 sq.m, the expanded production facilities consist of six production lines principally for the production of stitch-bonded non-woven fabrics with an estimated annual production capacity of approximately 40,800,000 yards.

As at 30 June 2010, the Group's production facilities occupied a site area of approximately 177,522 sq.m. (with a total gross floor area of approximately 54,784 sq.m.) and lettable area of approximately 10,434 sq.m.. The facilities are equipped with advanced equipment and machinery imported from Germany, Taiwan and purchased from Mainland China for production of non-woven fabrics. There are in total 17 production lines with an annual production capacity of approximately 122,300,000 yards and 5 function-adding lines and ancillary lines with an aggregate annual production capacity of approximately 60,000,000 yards for the production of non-woven fabrics. In respect of the chemical fibres business, the Group had 2 production lines for the production of polyester staple fibres with an aggregate annual production capacity of approximately 30,000 tons.

Strong R&D Capability

Leveraging on its strong research and development capacity, the Group is able to improve its existing products, widen the spectrum of functions of its products and develop new non-woven fabrics materials for industrial purpose with new functions, which on one hand satisfy the requirements of its customers and capture the market, and on the other hand maintain price competitiveness of its products.

During the period under review, the Group's research centre had successfully completed a number of research projects and certain of which had been applied to the manufacturing of the Group's products. As at 30 June 2010, the Group has registered one patent jointly with Tianjin Polytechnic University and is applying for registration of 20 patents which consisted of one patent being jointly applied for registration by the Group and Tianjin Polytechnic University and the remaining 19 patents being applied for registration by the Group only.

Recognitions for high quality and standard of products

The Group has received recognitions for the high quality non-woven fabrics as evidenced by the awards it has received over the years. It has been awarded Provincial Famous Products 2009 by People's Government of Fujian Province in January 2010. It has also obtained ISO9001: 2008 certificate from SGS United Kingdom Ltd in the same month and the Oeko-Tex® Standard 100 certificates from the Institute of the International Association for Research and Testing in the Field of Textile Ecology. Capitalizing on its solid experience and expertise in research and development, the Group will maintain an unwavering commitment to produce products with high quality while at the same time, will devote to protect the environment by helping to reduce the emission of pollution gas during production.

FINANCIAL REVIEW

During the six months period ended 30 June 2010, financial performance of the Group has recorded outstanding growth as compared with the same period in 2009. Turnover of the Group has increased by approximately 33.0% to approximately RMB421.7 million while profit for the period has increased by approximately 87.9% to approximately RMB97.1 million.

Turnover

Turnover for the period ended 30 June 2010 was approximately RMB421.7 million, representing an increase of 33.0% or approximately RMB104.6 million from the same period last year. The growth was primarily due to (1) a general increase in the selling price of the Group's products and (2) increased sales of functional non-woven fabrics with higher selling price.

Turnover of non-woven fabrics for the period ended 30 June 2010 was approximately RMB330.2 million, representing an increase of 36.7% or approximately RMB88.7 million from the same period last year. Turnover of chemical fibres for the period ended 30 June 2010 was approximately RMB91.5 million, representing an increase of 21.1% or approximately RMB15.9 million from the same period last year.

FINANCIAL REVIEW (Continued)

Turnover (Continued)

During the six months period ended 30 June 2010, export sales to Hong Kong and overseas market accounted for approximately 53.9% (30 June 2009: 39.3%) of the Group's turnover while domestic PRC sales has accounted for the remaining 46.1% (30 June 2009: 60.7%). The increase in overseas sales was mainly due to the increasing popularity of the Group's products in Hong Kong and overseas markets and the increased efforts of the marketing department in the sourcing of Hong Kong and overseas customers and distributors.

The Group has sold approximately 32,766,000 yards of non-woven fabrics for the six months under review, representing a slight decrease of 3.2% from the same period of last year. The total sales of chemical fibres amounted to approximately 12,000 tons, representing a slight decrease of 1.0% compared with the same period last year. The sales volume of non-woven fabrics has slightly decreased as the Group has increased its focus in the production of functional non-woven fabrics with higher gross profit margin. It should also be noted that the slight decrease in the sales volume of chemical fibres was due to normal market fluctuations.

Gross profit and gross profit margin

Gross profit for the period under review was approximately RMB146.4 million, representing an improvement of 86.7% or approximately RMB68.0 million as compared with the same period in 2009. The increase in gross profit was mainly driven by increase in sales value and improvement in gross profit margin of the Group's products.

The gross profit for the non-woven fabrics segment accounted for approximately 82.2% of the total gross profit during the period under review. The gross profit for the chemical fibre segment accounted for approximately 17.8% of the total gross profit during the period under review.

The gross profit margin of the Group for the period under review was 34.7%, representing an increase of 10.0 percentage points as compared to the same period last year. The gross profit margin for non-woven fabrics segment increased from 26.0% for the six months ended 30 June 2009 to 36.4% for the six months ended 30 June 2010. Such an increase was attributable to general increase in product selling price and increased sales of functional non-woven fabrics with higher gross profit margin. As for the chemical fibres segment, its gross profit margin was 28.5% for the six months ended 30 June 2010, representing an increase of 7.7% over the same period last year. The increase in gross profit margin for chemical fibres was principally due to general increase in product selling price.

Distribution expenses

Distribution expenses for the six months ended 30 June 2010 has increased by approximately RMB3.2 million as compared to the same period in 2009. Distribution expenses as a percentage of turnover was approximately 1.8% for the six months ended 30 June 2010 (2009: 1.4%). The rise in distribution expenses was mainly due to a general increase in transportation expenses and freight charges during the period under review.

Administrative expenses

Administrative expenses for the six months ended 30 June 2010 has increased by approximately RMB8.1 million as compared to the same period in 2009. Administrative expenses as a percentage of turnover was approximately 4.7% for the six months ended 30 June 2010 (2009: 3.7%). The increase in administrative expenses was mainly due to additional costs incurred in relation to the listing of the Company during the period under review.

Finance costs

Finance costs for the six months ended 30 June 2010 has decreased by approximately RMB2.2 million as compared to the same period in 2009. Finance costs as a percentage of turnover was approximately 0.9% for the six months ended 30 June 2010 (2009: 1.9%). The reduction in finance costs was mainly due to the repayment of loans from related companies near the year ended 31 December 2009.

Income tax expense

The Group's effective income tax rate for the six months ended 30 June 2010 was approximately 19.6%, as compared to approximately 17.1% for the corresponding period in 2009. The increase in effective income tax rate was mainly due to the non-deductibility of administrative expenses of certain non-revenue generating entities of the Group.

FINANCIAL REVIEW (Continued)

Profit attributable to shareholders and net profit margin

Profit attributable to shareholders for the six months ended 30 June 2010 was approximately RMB97.1 million, representing an increase of approximately 87.9% or approximately RMB45.4 million as compared with the first half of 2009. The net profit margin of the Group for the period under review was approximately 23.0%, representing an increase of 6.7% percentage points as compared with the same period of last year. The increase in net profit and improvement in net profit margin were mainly due to the increase in gross profit and gross profit margin of the Group during the period.

Earnings per share

The basic earnings per share for the six months period ended 30 June 2010 was approximately RMB0.155, representing an increase of approximately 80.2% as compared with the same period of 2009. The increase in basic earnings per share was a result of the increase in net profit for the period.

The diluted earnings per share and the basic earnings per share are the same as the Company did not have any dilutive potential ordinary share during the financial periods ended 30 June 2009 and 2010.

Liquidity and financial resources

The shares of the Company are successfully listed on the Stock Exchange on 21 June 2010. 200,000,000 new shares of the Company has been offered at HK$2.38 per offer shares and the net proceeds of the global offering was approximately HK$439.8 million after deducting related underwriting fees and other expenses. The Company currently intends to apply the net proceeds as to (i) approximately 43.2% for the establishment of the production facilities for the production of non-woven fabrics for use as the composite synthetic leather; (ii) approximately 37.0% for the establishment of the production facilities for the production of non-woven fabrics for use as filtration materials; (iii) approximately 8.4% for the expansion of the Group's existing technology centre and the establishment of the research centre for new materials; (iv) approximately 2.3% to be used for the construction of ancillary facilities and (v) approximately 9.1% as general working capital of the Group. As at the date of this interim report, approximately HK$11.6 million has been applied by the Group for establishment of the filtration materials production facilities and approximately HK$32.2 million has been used as general working capital. The Group has deposited the remaining unused proceeds with licensed bank in Hong Kong and the PRC.

The Group generally finances its operations with internally generated cash flow and facilities provided by its principal bankers in Hong Kong and in the PRC. The Group had bank and cash balances of approximately RMB596.0 million (31 December 2009: RMB124.4 million) and pledged bank deposits of approximately RMB0.4 million (31 December 2009: RMB26.5 million) as at 30 June 2010. The Group's cash and bank balances were mostly held in Hong Kong dollars and Renminbi.

As the Group conducts business transactions principally in Renminbi and US dollars, the management considered the exchange rate risk at the Group's operational level is not significant. Accordingly, the Group had not used any financial instruments for hedging purposes during the period under review. Nevertheless, the management will continue to monitor the foreign exchange exposure and is prepared to take prudent measures such as hedging when conditions are required.

The Group's interest bearing borrowings were made in Hong Kong dollars and Renminbi, approximately 40.8% (31 December 2009: 51.3%) of such borrowings bore interest at fixed lending rate. As at 30 June 2010, the Group's interest bearing borrowings amounted to approximately RMB177.5 million (31 December 2009: RMB163.7 million), out of which approximately 92.1% (31 December 2009: 100%) was repayable within one year. The gearing ratio of the Group calculated as a ratio of interest bearing borrowings to total assets was approximately 15.7% as at 30 June 2010 (31 December 2009: 26.1%). Net current assets and net assets at 30 June 2010 was approximately RMB571.6 million (31 December 2009: RMB74.1 million) and approximately RMB811.6 million (31 December 2009: RMB307.0 million), respectively.

At 30 June 2010, certain of the Group's leasehold land, buildings and investment properties with carrying values of approximately RMB80.9 million (31 December 2009: RMB83.1 million), RMB28.6 million (31 December 2009: RMB29.5 million) and RMB20.5 million (31 December 2009: RMB21.2 million), respectively, were pledged to secure general banking facilities granted to the Group.

As at 30 June 2010, the Group did not have any contingent liabilities (31 December 2009: Nil).

Significant investments and acquisitions

During the six months ended 30 June 2010, the Group acquired property, plant and equipment and incurred costs for construction in progress of approximately RMB23.6 million and RMB15.0 million, respectively (six months ended 30 June 2009: approximately RMB0.9 million and Nil, respectively).

PROSPECTS

The rapid development of China's economy, increasing demands and supportive policies launched and implemented by the PRC government all contribute to consolidating the future development of the textile industry. The Group, being well-positioned to seize the market opportunities, will implement the following strategies to attain new heights.

Expand production capacity

In order to meet the high demands of non-woven fabrics and chemical fibres and sustain its position and competitiveness in the industry, the Group will continue to expand its production capacity by constructing new production facilities. After taking up a site area of approximately 74,204 sq.m, the new production facilities are expected to carry 6 production lines and 10 function-adding and ancillary lines. The new production facilities will principally be used for the production of non-woven fabrics, including high performance composite synthetic leather, filtration materials and materials for automobile interior decoration with an estimated aggregate annual production capacity of 50,500,000 sq.m. It is expected that the Group will commence production of filtration materials by the second quarter of 2011 while the production of composite synthetic leather and automobile decoration materials will be commenced by the third quarter of 2011. In addition, the Group may consider expanding its production capacity and regional coverage by selectively pursuing strategic acquisition opportunities, both domestic and overseas.

Strengthen and emphasize on research and development and product upgrade

One of the Group's advantages over its competitors is its strong research and development capability. In future, the Group will continue to leverage on this advantage and devote additional resources to research and development for upgrading and improving its technology level. The Group is aiming to utilize its strong research and development centre as the foundation for developing and upgrading its products, expand the application spectrum of its products, expand its customer base and foster its training to experts, in particular, the technical staff.

The ability to improve and optimize functions and technique of non-woven materials will be a crucial factor to sustain the Group's continuing growth and success. It is expected that the PRC government will continue to strengthen its regulation on traditionally polluting industries, such as steel, cement, coal-fired and power generation industries, and in turn the demand for environmental protection products, such as filtration materials with specific functions in these industries will be increasing. The Group will capitalize from the co-operation of Tianjin Polytechnic University and Wuhan University of Science and Engineering, and capture the potential business opportunities by the development and production of non-woven fabrics which are able to deliver such functions.

Improve production operation efficiency to enhance competitiveness

The Group will continue to upgrade the quality of its products and reduce its production cost. The Group strives to develop new products which require high level of technological skills and large scale production facilities for the purpose of enhancing its competitiveness, expanding its customer base and securing a leading position in the market.

To achieve the above target, the Group will continue to upgrade and maintain an effective and efficient management and operation system by strictly complying with the standards of ISO9001 and ISO14001. The Group will also review and improve its control system over the production process, including inventory and production cost control. Based on its financial and technical capacity, production facilities and capacities will also be expanded to achieve cost efficiency and better financial performance.

Continue to expand sales network

During the period under review, the Group's sales were conducted through its own sales and marketing team and also through Hong Kong and overseas distributors. The Group will continue to recruit experienced sales and marketing staff and provide regular trainings to these staff. The Group aims to establish an energetic, self-motivated, experienced and well-trained sales and marketing team equipped with technical knowledge to provide professional services to the Group's customers.

Conclusion

Looking ahead, the Group will commit to become one of the market leaders in the non-woven fabrics and chemical fibres industries through the enhancement of production capacity and sales network, the expansion of products and the improvement of operation efficiency. By leveraging on the continuous growth in the domestic economy and the increasing demand in the industry, the Group is confident to maintain excellent performance and provide fruitful returns to investors in the future.

EMPLOYMENT, TRAINING AND DEVELOPMENT

At 30 June 2010, the Group had a total of 605 (31 December 2009: 543) employees. The Group always maintains good working relations with its employees and has committed itself to staff training and development. Remuneration packages are maintained at a competitive level and are being reviewed on a periodical basis. Bonus and share options are awarded to employees according to the assessment of individual performance and industry practice. As at the date of this interim report, no share option has been granted to the employees.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

On 27 August, 2010, the directors of the Company (the "Directors") have resolved to pay an interim dividend of HK$0.035 per share for the six months ended 30 June 2010 (six months ended 30 June 2009: Nil). The interim dividend will be paid to the shareholders of the Company as recorded on the register of members of the Company on Friday, 24 September 2010. It is expected that the interim dividend will be paid to the shareholders of the company on or about Thursday, 30 September 2010.

The register of members of the Company will be closed from Monday, 20 September 2010 to Friday, 24 September 2010, both days inclusive, during which period no transfer of shares shall be effected. To qualify for the interim dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, 17 September 2010.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2010, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Capacity	Number of shares	Approximate percentage of issued shares
Chim Wai Kong	Settlor of trust *(Note 1)*	420,000,000 (L)	52.50%
	Beneficiary of trust *(Note 2)*	159,600,000 (L)	19.95%
Chim Wai Shing Jackson	Settlor of trust *(Note 1)*	420,000,000 (L)	52.50%
	Beneficiary of trust *(Note 3)*	113,400,000 (L)	14.18%
Chim Fo Che	Beneficiary of trust *(Note 4)*	54,600,000 (L)	6.83%
Hong Ming Qu	Beneficiary of trust *(Note 5)*	18,900,000 (L)	2.36%

(L): Long Position

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Continued)

Notes:

1. *420,000,000 Shares are held by Nian's Brother Holding Limited ("Nian's Holding"). The entire interest of Nian's Holding is wholly owned by Nian's Brother Investment Limited ("Nian's Investment") which in turn is held by JMJ Holdings Limited as a nominee in favour of RBS Coutts Trust (Switzerland) Ltd.. JMJ Holdings Limited is a company incorporated in the British Virgin Islands ("BVI") provided by RBS Coutts Trust (Switzerland) Ltd. for the purpose of establishing the Nian's Brother Trust. RBS Coutts Trust (Switzerland) Ltd. is the trustee of Nian's Brother Trust. Nian's Brother Trust is a discretionary trust set up by Chim Wai Kong and Chim Wai Shing Jackson, both being executive Directors, for the benefit of their family members. For the purpose of Part XV of the SFO, each of Chim Wai Kong and Chim Wai Shing Jackson is deemed to be interested in the Shares held by Nian's Holding as the settlors of Nian's Brother Trust.*

2. *Chim Wai Kong is also one of the beneficiaries of the Nian's Brother Trust, he is deemed to be interested in 159,600,000 shares of the Company indirectly held by Nian's Holding.*

3. *Chim Wai Shing Jackson is also one of the beneficiaries of the Nian's Brother Trust, he is deemed to be interested in 113,400,000 shares of the Company indirectly held by Nian's Holding.*

4. *Chim Fo Che, an executive Director, is one of the beneficiaries of the Nian's Brother Trust. He is therefore deemed to be interested in the 54,600,000 shares of the Company indirectly held by Nian's Holding.*

5. *Hong Ming Qu, an executive Director, is one of the beneficiaries of the Nian's Brother Trust. He is therefore deemed to be interested in the 18,900,000 shares of the Company indirectly held by Nian's Holding.*

Save as disclosed above, as at 30 June 2010, none of the Directors and the chief executives of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Code contained in the Listing Rules to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the share option scheme adopted by the Company on 12 May 2010, the details of which were disclosed in the Prospectus, at no time during the six months ended 30 June 2010 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARE CAPITAL OF THE COMPANY

So far as is known to any Director or chief executive of the Company, as at 30 June 2010, the persons or companies (other than a Director or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of Shareholder	Capacity	Number of shares	Approximate percentage of issued shares
Nian's Holding	Beneficial owner	420,000,000 (L)	52.50%
Nian's Investment *(Note 1)*	Interest of controlled corporation	420,000,000 (L)	52.50%
JMJ Holdings Limited	Interest of controlled corporation *(Note 2)*	420,000,000 (L)	52.50%
RBS Coutts Trustees (Switzerland) Ltd.	Trustee *(Note 2)*	420,000,000 (L)	52.50%
Chim Wai Kong	Settlor of trust *(Note 3)*	420,000,000 (L)	52.50%
Chim Wai Shing Jackson	Settlor of trust *(Note 4)*	420,000,000 (L)	52.50%
Headwell *(Note 5)*	Beneficial owner	80,000,000 (L)	10.00%
Modern Creative *(Note 5)*	Interest of controlled corporation	80,000,000 (L)	10.00%
Liu Shu Fa	Interest of controlled corporation and family interest	80,000,000 (L)	10.00%
Wang Juan	Interest of controlled corporation and family interest	80,000,000 (L)	10.00%

(L): Long Position

Notes:

1. *Nian's Holding is a wholly-owned subsidiary of Nian's Investment. For the purpose of Part XV of the SFO, Nian's Investment is therefore deemed to be interested in the shares held by Nian's Holding.*

2. *The entire interest of Nian's Investment is held by JMJ Holdings Limited as a nominee in favour of RBS Coutts Trust (Switzerland) Ltd. for the purpose of establishing the Nian's Brother Trust. RBS Coutts Trust (Switzerland) Ltd. is the trustee of Nian's Brother Trust. For the purpose of Part XV of the SFO, JMJ Holdings Limited and RBS Coutts Trustees (Switzerland) Ltd. are deemed to be interested in the shares indirectly held by Nian's Investment.*

3. *Chim Wai Kong is one of the two settlors of Nian's Brother Trust, which is a discretionary trust set up for the benefit of his family members. For the purpose of Part XV of the SFO, Chim Wai Kong is deemed to be interested in the shares held indirectly by Nian's Investment.*

4. *Chim Wai Shing Jackson is one of the two settlors of Nian's Brother Trust, which is a discretionary trust set up for the benefit of his family members. For the purpose of Part XV of the SFO, Chim Wai Shing Jackson is deemed to be interested in the shares indirectly held by Nian's Investment.*

5. *Headwell Investments Limited ("Headwell") is a wholly-owned subsidiary of Modern Creative Group Limited ("Modern Creative"). For the purpose of Part XV of the SFO, Modern Creative is therefore deemed to be interested in the Shares held by Headwell. Modern Creative is owned by Liu Shu Fa as to 50% and Wang Juan as to 50%. Liu Shu Fa is the spouse of Wang Juan. Liu Shu Fa and Wang Juan are deemed to be interested in the shares held by each other.*

Save as disclosed herein, the Directors are not aware of any person who was, as at 30 June 2010, directly or indirectly, interested or had short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, was directly or indirectly, interested in 10% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meetings of the Company or any options in respect of such capital.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 30 June 2010, save as disclosed in the Prospectus, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's securities.

CODE OF CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has applied the principles and complied with all the code provisions of the Code of Corporate Governance Practices, as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), throughout the six months ended 30 June 2010.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors (the "Code"). Having made specific enquiry of the directors of the Company, all the Directors confirmed that they had compiled with the required standards as set out in the Code since the date of listing of the Company's shares on 21 June 2010 up to and including 30 June 2010.

AUDIT COMMITTEE AND REVIEW OF INTERIM FINANCIAL STATEMENTS

The audit committee of the Company (the "Audit Committee") comprises Mr. Wong Siu Hong (independent non-executive Director), Mr. Zhu Min Ru (independent non-executive Director) and Ms. Wee Kok Keng (non-executive Director).

The Group's unaudited interim report for the period has been reviewed by the Audit Committee, who are of the opinion that such report complies with the applicable accounting standards, the Listing Rules and legal requirements and that adequate disclosures have been made.

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2010 has also been reviewed by RSM Nelson Wheeler, the auditors of the Company, in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", whose review report is disclosed in page 13 of this interim report.

By order of the Board
COSTIN New Materials Group Limited

Chim Wai Kong
Chairman

Hong Kong, 27 August 2010

Independent Review Report

TO THE BOARD OF DIRECTORS OF
COSTIN NEW MATERIALS GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 14 to 28 which comprises the condensed consolidated statement of financial position of COSTIN New Materials Group Limited (the "Company") and its subsidiaries (collectively referred as the "Group") as at 30 June 2010 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Federation of Accountants. A review of interim financial information consists of making inquires, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

27 August 2010

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010

	Note	Six months ended 30 June 2010 RMB'000 (unaudited)	2009 RMB'000 (unaudited)
Turnover	3	421,701	317,072
Cost of goods sold		(275,262)	(238,619)
Gross profit		146,439	78,453
Other income		5,577	5,973
Distribution expenses		(7,510)	(4,319)
Administrative expenses		(19,761)	(11,670)
Profit from operations		124,745	68,437
Finance costs	4	(3,926)	(6,152)
Profit before tax		120,819	62,285
Income tax expense	5	(23,730)	(10,623)
Profit for the period	6	97,089	51,662
Other comprehensive income for the period, net of tax			
Exchange differences on translating foreign operations		(403)	–
Total comprehensive income for the period		96,686	51,662
Earnings per share	8		
Basic		RMB0.155	RMB0.086
Diluted		RMB0.155	RMB0.086

Condensed Consolidated Statement of Financial Position

At 30 June 2010

	Note	At 30 June 2010 RMB'000 (unaudited)	At 31 December 2009 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	9	232,950	220,917
Construction in progress	9	14,973	–
Investment properties		20,547	21,186
		268,470	242,103
Current assets			
Inventories		82,192	27,017
Trade and bills receivables	10	166,144	161,502
Prepayments, deposits and other receivables		16,284	8,538
Due from a related company		–	19,108
Current tax assets		–	18,748
Pledged bank deposits		361	26,549
Bank and cash balances		595,993	124,432
		860,974	385,894
Current liabilities			
Trade and bills payables	11	84,033	93,054
Accruals and other payables		41,106	11,508
Due to related companies		–	7,294
Due to related parties		–	20,132
Loans from related companies		–	5,395
Short term bank borrowings		159,982	158,334
Current portion of long term borrowings		3,520	–
Finance lease payables		161	–
Current tax liabilities		558	16,046
		289,360	311,763
Net current assets		571,614	74,131
Total assets less current liabilities		840,084	316,234

Condensed Consolidated Statement of Financial Position

At 30 June 2010

	Note	At 30 June 2010 RMB'000 (unaudited)	At 31 December 2009 RMB'000 (audited)
Non-current liabilities			
Long term borrowings		13,959	–
Finance lease payables		659	–
Deferred tax liabilities		13,855	9,233
		28,473	9,233
NET ASSETS		811,611	307,001
Capital and reserves			
Share capital	12	70,400	80,000
Reserves		741,211	227,001
EQUITY		811,611	307,001

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010

	(Unaudited)							
	Share capital RMB'000	Share premium RMB'000	Foreign currency translation reserve RMB'000	Retained profits RMB'000	Statutory reserve RMB'000	Capital reserve RMB'000	Merger reserve RMB'000	Total RMB'000
At 1 January 2009	80,000	–	–	67,237	31,275	–	–	178,512
Total comprehensive income for the period	–	–	–	51,662	–	–	–	51,662
Dividends paid	–	–	–	(20,000)	–	–	–	(20,000)
Changes in equity for the period	–	–	–	31,662	–	–	–	31,662
At 30 June 2009	80,000	–	–	98,899	31,275	–	–	210,174
At 1 January 2010 *(note 12(c))*	**80,000**	**–**	**(102)**	**175,204**	**51,899**	**–**	**–**	**307,001**
Total comprehensive income for the period	–	–	(403)	97,089	–	–	–	96,686
Effect of group reorganisation	(79,974)	–	–	–	–	–	79,974	–
Effect of loan capitalisation	–	–	–	–	–	20,934	–	20,934
Capitalisation	52,774	(52,774)	–	–	–	–	–	–
Issue of shares – issue by way of public offer	17,600	401,280	–	–	–	–	–	418,880
Share issue expenses	–	(31,890)	–	–	–	–	–	(31,890)
Changes in equity for the period	(9,600)	316,616	(403)	97,089	–	20,934	79,974	504,610
At 30 June 2010	**70,400**	**316,616**	**(505)**	**272,293**	**51,899**	**20,934**	**79,974**	**811,611**

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**52,804**	11,335
Purchases of property, plant and equipment	**(22,796)**	(939)
Purchases of property, plant and equipment – prepaid land lease payments	**–**	(30,746)
Payment for construction in progress	**(6,182)**	(19,507)
Interest received	**477**	1,214
Decrease in pledged bank deposits	**26,188**	20,188
NET CASH USED IN INVESTING ACTIVITIES	**(2,313)**	(29,790)
Proceeds from issue of shares	**418,880**	–
Share issue expenses paid	**(23,755)**	–
Inception of short term bank borrowings	**88,793**	102,493
Repayment of short term bank borrowings	**(63,596)**	(85,528)
Net (repayment)/drawdown of factoring loans	**(23,549)**	11,325
Inception of long term borrowings	**17,479**	–
Inception of loans from related companies	**–**	10,256
Repayment of loans from related companies	**(5,395)**	–
Decrease in amounts due from a related company	**19,108**	–
Increase in amounts due to related companies	**440**	57,980
Decrease in amounts due to related companies	**(7,734)**	(59,127)
Increase in amounts due to related parties	**802**	–
NET CASH GENERATED FROM FINANCING ACTIVITIES	**421,473**	37,399
NET INCREASE IN CASH AND CASH EQUIVALENTS	**471,964**	18,944
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**124,432**	66,362
Effect of foreign exchange rate changes	**(403)**	–
CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY	**595,993**	85,306
Bank and cash balances	**595,993**	85,306

Notes to the Condensed Financial Statements

For the six months ended 30 June 2010

1. BASIS OF PREPARATION

These condensed financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (the "IASB") and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed financial statements should be read in conjunction with the accountants' report of the Group in the Company's prospectus dated 8 June 2010. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in that accountants' report.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") issued by the IASB that are relevant to its operations and effective for its accounting year beginning on 1 January 2010. IFRSs comprise International Financial Reporting Standards; International Accounting Standards ("IAS"); and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years except as stated below.

Classification of Land Leases

The adoption of the amendment to IAS 17 "Leases" has resulted in a change in accounting policy for the classification of leasehold land of the Group. Previously, leasehold land was classified as an operating lease and stated at cost less accumulated amortisation. In accordance with the amendment, leasehold land is classified as a finance lease and stated at cost less accumulated depreciation if substantially all risks and rewards of the leasehold land have been transferred to the Group. As the present value of the minimum lease payments (i.e. the transaction price) of the land held by the Group amounted to substantially all of the fair value of the land as if it were freehold, the leasehold land of the Group has been classified as a finance lease. The amendment has been applied retrospectively to unexpired leases at the date of adoption of the amendment on the basis of information existing at the inception of the leases.

The amendment resulted in changes in the consolidated amounts reported in the financial statements as follows:

	At 30 June 2010 *RMB'000*	At 31 December 2009 *RMB'000*
Increase in property, plant and equipment	**80,930**	83,149
Decrease in prepaid land lease payments	**80,930**	83,149

The Group has not applied the new IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new IFRSs but is not yet in a position to state whether these new IFRSs would have a material impact on its results of operations and financial position.

3. SEGMENT INFORMATION

(a) Information about reportable segment profit and segment assets:

	Chemical fibres RMB'000 (unaudited)	Non-woven fabrics RMB'000 (unaudited)	Total RMB'000 (unaudited)
6 months ended 30 June 2010:			
Revenue from external customers	**91,456**	**330,245**	**421,701**
Intersegment revenue	**2,813**	**–**	**2,813**
Segment profit	**26,091**	**120,348**	**146,439**
At 30 June 2010:			
Segment assets	**90,482**	**95,651**	**186,133**
	Chemical fibres RMB'000 (unaudited)	Non-woven fabrics RMB'000 (unaudited)	Total RMB'000 (unaudited)
6 months ended 30 June 2009:			
Revenue from external customers	75,508	241,564	317,072
Intersegment revenue	2,761	–	2,761
Segment profit	15,743	62,710	78,453
	(audited)	(audited)	(audited)
At 31 December 2009:			
Segment assets	45,909	60,970	106,879

(b) Reconciliations of reportable segment profit:

	Six months ended 30 June	
	2010 RMB'000 (unaudited)	2009 RMB'000 (unaudited)
Total profit of reportable segments	**146,439**	78,453
Unallocated amounts:		
Other income	**5,577**	5,973
Distribution expenses	**(7,510)**	(4,319)
Administrative expenses	**(19,761)**	(11,670)
Finance costs	**(3,926)**	(6,152)
Consolidated profit before tax	**120,819**	62,285

4. FINANCE COSTS

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest expense on:		
Short term bank borrowings	**3,455**	4,127
Long term borrowings	**471**	–
Factoring loans	**–**	267
Loans from related companies	**–**	1,758
	3,926	6,152

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax – PRC enterprise income tax (the "PRC EIT")	**19,108**	9,343
Deferred tax	**4,622**	1,280
	23,730	10,623

On 26 October 2009, the Group's subsidiary 福建鑫華股份有限公司 (Xinhua Share Co., Ltd. Fujian) ("Xinhua Company") was recognised as an advanced technology enterprise and is entitled to enjoy an income tax concession at a preferential rate of 15% effective from 1 January 2009. Applicable PRC EIT rate of 15% has been applied for the provision of income tax expenses for the period ended 30 June 2009 and year ended 31 December 2009. Xinhua Company has paid PRC EIT at rate of 25% on quarterly basis during the period ended 30 June 2009 and year ended 31 December 2009, which resulted in excessive payment of PRC EIT of approximately RMB6,549,000 and RMB18,748,000 respectively. The excess of EIT are to be refunded in the form of deduction against PRC EIT payables for the period ended 30 June 2010.

No provision for Hong Kong Profits Tax has been made for the subsidiary located in Hong Kong as it did not have assessable profits during the period (Six months ended 30 June 2009: N/A) .

The Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands (Six months ended 30 June 2009: N/A).

6. PROFIT FOR THE PERIOD

The Group's profit for the period is arrived at after charging/(crediting):

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Government grants	**(3,100)**	(3,325)
Interest income	**(477)**	(1,214)
Rental income	**(1,809)**	(1,429)
Auditor's remuneration	**264**	50
Cost of inventories sold	**275,262**	238,619
Depreciation of property, plant and equipment	**11,583**	12,130
Depreciation of investment properties	**639**	766
Directors' remuneration		
Salaries, bonus and allowances	**1,289**	371
Contribution to retirement benefit schemes	**–**	–
	1,289	371
Net exchange loss/(gain)	**487**	(11)
Operating leases charges in respect of buildings and machinery	**779**	633
Research and development expenditure	**1,163**	2,386
Staff costs (excluding directors' remuneration)		
Salaries, bonus and allowances	**11,295**	6,665
Contribution to retirement benefit schemes	**114**	61
	11,409	6,726

7. DIVIDENDS

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Proposed interim dividend RMB0.031 (HK$0.035) (2009: Nil) per ordinary share	**24,640**	–
Final dividends paid	**–**	20,000
	24,640	20,000

8. EARNINGS PER SHARE

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Earnings		
Profit attributable to owners of the Company, used in the basic earnings per share calculation	**97,089**	51,662
Number of shares		
Weighted average number of ordinary shares used in basic earnings per share calculation	**625,414,365**	600,000,000

The diluted earnings per share and the basic earnings per share are the same as the Company did not have any dilutive potential ordinary sharing during the two periods ended 30 June.

9. PROPERTY, PLANT AND EQUIPMENT AND CONSTRUCTION IN PROGRESS

During the six months ended 30 June 2010, the Group acquired property, plant and equipment, prepaid land lease payments and incurred costs for construction in progress of approximately RMB23,616,000, Nil and RMB14,973,000 respectively (Six months ended 30 June 2009: approximately RMB939,000, RMB77,292,000 and Nil respectively).

10. TRADE AND BILLS RECEIVABLES

	At 30 June 2010 RMB'000 (unaudited)	At 31 December 2009 RMB'000 (audited)
Trade receivables	156,492	134,584
Bill receivables	9,652	26,918
	166,144	161,502

The Group normally allows credit terms to customers ranging from 30 to 90 days. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The aging analysis of the trade receivables at the end of the reporting period, based on the invoice date, is as follows:

	At 30 June 2010 RMB'000 (unaudited)	At 31 December 2009 RMB'000 (audited)
0–30 days	69,498	80,688
31–60 days	36,779	33,798
61–90 days	26,149	18,567
91–120 days	24,066	1,043
Over 120 days	–	488
	156,492	134,584

As at 30 June 2010, bills receivables of Nil (2009: approximately RMB23,549,000) were pledged to banks to secure factoring loans granted to Xinhua Company.

11. TRADE AND BILLS PAYABLES

	At 30 June 2010 RMB'000 (unaudited)	At 31 December 2009 RMB'000 (audited)
Trade payables	**83,694**	32,050
Bills payables	**339**	61,004
	84,033	93,054

The Group normally obtains credit terms ranging from 30 to 60 days from its suppliers.

The aging analysis of the trade payables at the end of the reporting period, based on the date of receipt of goods, is as follows:

	At 30 June 2010 RMB'000 (unaudited)	At 31 December 2009 RMB'000 (audited)
0–30 days	**53,435**	18,013
31–60 days	**29,886**	10,075
61–90 days	**323**	2,525
91–120 days	**39**	1,411
Over 120 days	**11**	26
	83,694	32,050

12. SHARE CAPITAL

The Company

	Number of shares	Amount HK$	Amount as present RMB
Authorised:			
Ordinary shares of HK$0.1 each			
At 1 January 2009	–	–	–
On incorporation	3,800,000	380,000	334,400
At 31 December 2009 and 1 January 2010	3,800,000	380,000	334,400
Increase *(note (a)(i))*	1,996,200,000	199,620,000	175,665,600
At 30 June 2010	2,000,000,000	200,000,000	176,000,000
Issued and fully paid:			
Ordinary shares of HK$0.1 each			
At 1 January 2009	–	–	–
Upon incorporation	10	1	1
At 31 December 2009 and 1 January 2010	10	1	1
Issue of shares – share swap *(note (a)(ii))*	299,990	29,999	26,399
Capitalisation issue *(note (a)(iii))*	599,700,000	59,970,000	52,773,600
Issue of shares – by way of public offer *(note (b))*	200,000,000	20,000,000	17,600,000
At 30 June 2010	800,000,000	80,000,000	70,400,000

Note:

(a) By resolutions approved in writing by all the shareholders on 3 February 2010 and 4 February 2010, the Company resolved, among other things:

(i) that the authorised share capital of the Company was increased from HK$380,000 to HK$200,000,000 by the creation of 1,996,200,000 new shares ranking pari passu in all respects with the then existing issued shares;

(ii) that the acquisition by the Company of 100% issued share capital in COSTIN Investment Limited was approved and in consideration of the acquisition, the Directors were authorised to allot and issue 269,991 ordinary shares and 29,999 ordinary shares to Nian's Brother Holding Limited and Gerfalcon Holding Limited respectively, all credited as fully paid, and the 9 and 1 nil paid ordinary shares then held by Nian's Brother Holding Limited and Gerfalcon Holding Limited credited as fully paid; and

(iii) that the Directors were authorised to capitalise the amount of HK$59,970,000 from the amount standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 599,700,000 shares for allotment and issue to the holders of shares whose names appear on the register of members of the Company at the close of business on 12 May 2010 to their then existing shareholdings in the Company.

(b) On 21 June 2010, 200,000,000 ordinary shares of HK$0.1 each were issued at HK$2.38 each to the public by way of public offer for a total cash consideration, before related expenses, of RMB418,880,000 (HK$476,000,000). The excess over the par value of the share issued was credited to the share premium account.

(c) The amount of share capital of the Group as at 1 January 2010 include share capital of the Company of RMB1 (representing 10 ordinary shares of HK$0.1 each), share capital of COSTIN Investment Limited of RMB137 (representing 20 ordinary shares of US$1 each) and registered capital of Xinhua Company of RMB80,000,000.

13. RELATED PARTY TRANSACTIONS

(a) Save as disclosed elsewhere in the condensed financial statements, the Group had the following material transactions with its related parties:

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Sales of goods through a related company	**–**	12,381
Purchase of raw materials through a related company	**–**	51,592
Agency fees charged by a related company	**–**	505
Rental income charged to a related company	**1,339**	1,272
Rental expenses charged by related companies	**700**	700
Interest expense on loans from related companies	**–**	1,758
Loans from related companies	**–**	10,256
Land acquired from a related company	**–**	1,448
Advance from related companies	**–**	58,143
Advance to related companies	**–**	59,127

The balances with related parties and companies as at 31 December 2009 have been settled before 31 March 2010.

(b) At 30 June 2010, certain directors which were also the shareholders of Xinhua Company have guaranteed the banking facilities granted to Xinhua Company totalled Nil (Six months ended 30 June 2009: RMB100,562,000), of which Nil (Six months ended 30 June 2009: RMB76,662,000) were jointly guaranteed by related companies.

(c) **Remuneration of key management personnel**

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Salaries, bonus and allowances		
– Directors	**1,289**	371
– Senior management	**2,167**	–
Sub-total	**3,456**	371
Contribution to retirement benefit schemes		
– Directors	**–**	–
– Senior management	**6**	–
Sub-total	**6**	–
Total	**3,462**	371

14. CAPITAL COMMITMENTS

	At 30 June 2010 RMB'000 (unaudited)	At 31 December 2009 RMB'000 (audited)
Contracted but not provided for:		
Property, plant and equipment	**180**	223
Construction in progress	**15,893**	–
	16,073	223

15. EVENTS AFTER THE REPORTING PERIOD

(a) On 8 July 2010, Xinhua Company and a third party entered into a purchase contract for machinery of approximately RMB60 million (EUR6.8 million).

(b) On 22 July 2010, Xinhua Company and a third party entered into a construction contract of RMB4.8 million for construction of a factory for manufacturing of non-woven products.

16. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 27 August 2010.