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)

2011

Interim Report

CONTENTS

DEFINITIONS

In this report, unless the context otherwise requires, the following terms shall have the following meanings:

"associate(s)"	has the meaning ascribed to it in the Listing Rules
"Board"	the board of directors of the Company
"Company"	吉林奇峰化纖股份有限公司 (Jilin Qifeng Chemical Fiber Co., Ltd.*), a foreign invested joint stock limited company established in the PRC with limited liability
"Controlling shareholder"	has the meaning ascribed thereto under the Listing Rules
"Directors"	the directors of the Company
"Listing Rules"	Rules Governing of the Listing of Securities on the Stock Exchange
"Period"	The six months ended 30 June 2011
"PRC"	The People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	Securities and Futures Ordinance, Cap. 571, Laws of Hong Kong
"Shareholders"	shareholders of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

FINANCIAL SUMMARY

	For the six months ended 30 June		
	2011	2010	Change
	RMB'million	RMB'million	%
Revenue	**1,081.6**	685.0	58
Gross profit	**134.3**	57.1	135
Operating profit	**94.0**	35.0	169
Share of profit of a jointly controlled entity	**25.2**	2.9	769
Profit and total comprehensive income for the period attributable to the owners of the Company	**65.8**	3.4	1,835
Earnings per share (RMB cents per share)	**7.59**	0.39	1,367
Gross profit margin	**12.4%**	8.3%	4.1 p.p.
Net profit margin	**6.1%**	0.5%	5.6 p.p.

	As at 30 June 2011	As at 31 December 2010	
Current ratio	**93.6%**	81.8%	11.8 p.p.
Gearing ratio	**63.9%**	63.5%	0.4 p.p.

p.p - percentage point

FINANCIAL AND BUSINESS HIGHLIGHTS

- Profit and total comprehensive income for the Period attributable to the owners of the Company was approximately RMB65.8 million, as compared to approximately RMB3.4 million for the same period in 2010.
- Revenue for the Period was approximately RMB1.0816 billion, representing an increase of approximately 58% as compared to the same period in 2010, which was mainly attributable to the increases in the average selling price and sales volume for sales of acrylic fiber products.
- The overall gross profit margin of the Group increased from 8.3% for the first six months in 2010 to 12.4% for the Period, which was mainly due to the increase in price differential (i.e. the difference between the average selling price and the average purchase price of the major raw materials) on products sold.
- Production plant operated at an overall utilisation rate of approximately 91% for the Period (2010: 70%).
- The Group's share of 50% of the profit of Jilin Jimont Acrylic Fiber Co., Ltd. ("Jimont") for the Period under the equity method amounted to approximately RMB25.2 million (2010: RMB2.9 million).

MAJOR OPERATIONAL DATA

1. Revenue

	For the six months ended 30 June			
	2011		2010	
	RMB million	**%**	RMB million	%
Acrylic top	**532.4**	**49.2**	288.5	42.1
Acrylic tow	**218.5**	**20.2**	154.6	22.6
Acrylic staple fiber	**315.1**	**29.1**	232.4	33.9
Others*	**15.6**	**1.5**	9.5	1.4
Total	**1,081.6**	**100**	685.0	100.0

2. Sales volume

	For the six months ended 30 June			
	2011		2010	
	Tons	**%**	Tons	%
Acrylic top	**23,721**	**48.1**	14,770	40.8
Acrylic tow	**10,200**	**20.7**	8,470	23.4
Acrylic staple fiber	**14,719**	**29.9**	12,603	34.8
Others*	**659**	**1.3**	374	1.0
Total	**49,299**	**100**	36,217	100.0

3. Average selling price and gross profit margin

	For the six months ended 30 June			
	2011		2010	
	Average selling price RMB/ton	**Gross profit margin %**	Average selling price RMB/ton	Gross profit margin %
Acrylic top	**22,444**	**13.01**	19,533	6.9
Acrylic tow	**21,422**	**13.47**	18,253	8.5
Acrylic staple fiber	**21,408**	**11.77**	18,440	8.3
Overall gross profit margin		**12.4**		8.3

* *Refer to sales of carbon fiber precusor and acrylic fiber scrap*

REVIEW AND OUTLOOK

Market Review

For the six months ended 30 June 2011 (the "Period"), as driven by its downstream market, the textile industry of the PRC grew steadily. The combined GDP growth of the PRC remained stable and the income level of its residents increased gradually. The PRC consumer prices increased simultaneously and demonstrated an upward trend. The Twelfth Five-Year Plan of the PRC regards "expanding domestic demand" as among the top ten priorities during 2011 to 2015. The continual development of the PRC economy has provided strong support for the prices in the textile industry during the Period. Favourable conditions for economic development led to the positive development of the acrylic fiber industry. In addition, the demand and supply condition of the acrylic fiber industry was more favourable after the continued market consolidation during the past few years. The performance of the acrylic fiber market was generally favourable. As a result of more significant increase in average selling price of acrylic fiber products as compared to the increase in average purchase price of acrylonitrile (the major raw material for the production of the Group's products), the price difference between acrylic fiber products and acrylonitrile increased, which improved the profitability of suppliers of acrylic fiber products. For carbon fiber, the downstream market is still developing.

Sales Review

For the six monts ended 30 June 2011, the Group recorded sales revenue of approximately RMB1.0816 billion, representing an increase of approximately 58% as compared to the same period in 2010. Sales volume during the Period was 49,299 tons, representing an increase of approximately 36% as compared to the same period in 2010. As the line of carbon fiber products of the Group was still being developed, sales of carbon fiber products only represented approximately 1% of the Group's revenue. The average selling price of the Group's acrylic fiber products increased from RMB18,914 per ton in the first half of 2010 to approximately RMB21,940 per ton in the Period, representing an increase of approximately 16%.

Operations Review

For the six monts ended 30 June 2011, the Group's total production volume was 48,112 tons, representing an increase of approximately 29% as compared to the same period last year. The utilization rate of the Group's production facilities for carbon fiber the Period was approximately 91% (2010: 70%). During the Period, the quality of the Group's major products further improved as compared to last year, which was mainly due to the strengthening of quality control of our products. Our production department also organized various professional seminars, analyst meetings and exchanged experiences with external organizations to increase the quality awareness of operating staff and effectively improved the stability of our product quality. Currently, the Group is building a production line with an annual capacity of 5,000 tons of crude carbon fiber and a research and development platform for T700 Grade of crude carbon fiber. Total production volume of acrylic fiber products accounted for approximately 1% of our overall production volume. Phase one of the project is expected to commence operation by the end of 2011, when the annual production capacity of crude carbon fiber is expected to reach 5,000 tons.

Human Resources

As at 30 June 2011, the Group had 1,731 employees. Staff remuneration packages were determined with reference to prevailing market practices (including a performance-based incentive bonus). The Group also provided ongoing training schemes to its staff at all levels and encouraged multiple skills for one position. For the six months ended 30 June 2011, the Group provided trainings in the areas of production technology, product quality controls, production operation processes, production safety and environmental protection, etc., to its employees.

Outlook

Looking forward, the management of the Company expects that the market will be promising in the second half of 2011. With the continuous development of the PRC economy and the textile industry as well as the adjustments to macroeconomic policies of the PRC, the Group expects the following new opportunities and prospects for its business:

1. Development of carbon fiber: Carbon fiber is a new type of high-performance fiber material characterized by high strength and used extensively for military, industrial and civil purposes. Currently, the Group is building a production line with an annual capacity of 5,000 tons of crude carbon fiber and a research and development platform for T700 grade of crude carbon fiber. Phase one of the project is expected to commence operation by the end of 2011, when the annual production capacity of crude carbon fiber will reach 5,000 tons. The Group believes that with the continuous improvement of the down-stream market, the development of carbon fiber products will bring about larger market potential and long-term economic benefits for the Group.

2. Development of differentiated acrylic fiber: The Group will further commit to the development of differentiated acrylic fiber to enhance its competitiveness in the PRC differentiated acrylic fiber products market. The Group is currently producing six main types of differentiated acrylic fibers, namely oerlikon fiber, high shrinkage staple, low pill fiber, dyed fiber, non-square fiber and cashmere fiber, totalling more than 20 different fibers. During the Period, the Group conducted trial production on carbon felt, bamboo carbon fiber with positive results. In the second half of the year, we will continue to research and develop ultra-bright fiber. 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 for further enhancement of the Group's profitability.

The Group's management will take advantage of the above opportunities to proactively improve the Group's operations, strengthen the leading position of the Group in the PRC acrylic fiber industry and maximize the Company's return to its shareholders.

FINANCIAL ANALYSIS

OPERATION RESULTS

For the six months ended 30 June 2011, the Group's revenue was approximately RMB1.0816 billion, representing an increase of approximately 58% as compared to approximately RMB685 million for the same period in 2010. The increase in revenue was mainly attributable to an increase in the average selling price of the Group's products by approximately 16% and the increase in sales volume by approximately 36%. During the Period, the Group's total production volume and sales volume were 48,112 tons and 49,299 tons, respectively, resulting in a sales-to-production ratio of approximately 102% (2010: 97%). For the six months ended 30 June 2011, profit attributable to the owners of the Company was approximately RMB65.8 million, as compared to the profit attributable to the owners of the Company of approximately RMB3.4 million for the same period in 2010. The significant increase in profit attributable to the owners of the Company was mainly attributable to the increase in sales volume of approximately 36% and the increase in price difference between the average selling price of the Group's acrylic fiber products and the purchase price of the Group's major raw material, acrylonitrile of approximately 35%. The price difference was RMB5,540 per ton for the six months ended 30 June 2011. In addition, during the Period, the profit attributable to the owners of the Company also included the Group's 50% share of the profit of a jointly controlled entity of approximately RMB25.2 million (2010: RMB2.94 million).

The overall gross profit margin of the Group increased from 8.3% for the first six months in 2010 to 12.4% for the Period. This was mainly due to an increase in the average selling price of the Group's products by RMB3,000 to RMB21,914 per ton in the six months ended 30 June 2011 as compared to the same period in 2010, representing an increase of approximately 16%. Meanwhile, the purchase price of the major raw materials, acrylonitrile, the average purchase price was approximately RMB16,374 per ton for the six months ended 30 June 2011, representing an increase of approximately 10% from RMB14,821 per ton for the same period in 2010. The average unit cost was further reduced as a result of the increase in plant utilization rate from approximately 70% for the six months ended 30 June 2010 to approximately 91% for the Period.

Operating expenses (including distribution costs and administrative expenses)

Distribution costs increased to approximately RMB20.4 million for the six months ended 30 June 2011 from approximately RMB14.8 million for the same period in 2010. The increase in distribution costs was resulted from an increase of transportation costs which was in line with the increase in sales volume. During the Period, administrative expenses increased by approximately RMB8.5 million, which were mainly attributable to the increases in guarantee fee, consultancy fee and other taxes.

Other net income (representing the aggregated amount of other income, other expenses and other losses – net)

Other net income decreased from approximately RMB27.64 million for the six months ended 30 June 2010 to approximately RMB23.57 million for the Period. The decrease in other net income was mainly due the decreases in gain on reversal of impairment of trade receivable and amortization of deferred income.

Finance costs

Net finance costs increased to approximately RMB41.90 million for the six months ended 30 June in 2011 from approximately RMB34.37 million for the same period in 2010. The increase in finance costs was mainly resulted from an increase in overall interest rate of the Group's bank borrowings and the increase in overall bank borrowings.

Share of profit of a jointly controlled entity

For the six months ended 30 June 2011, the 50% share of profit of Jilin Jimont Acrylic Fiber Co., Ltd. (the "jointly controlled entity", or "Jimont") attributable to the Group under the equity method was approximately RMB25.2 million (2010: RMB2.94 million). The increase in Jimont's profitability was primarily due to a increase in gross profit margin and an increase in the sales volume of the jointly controlled entity.

Financial resources, liquidity and liability position

As at 30 June 2011, the Group's total assets and total liabilities were approximately RMB2.81 billion and RMB1.80 billion, respectively. As at 30 June 2011, the Group's current liabilities exceeded its current assets by approximately RMB79.19 million, and its current ratio (calculated as current assets divided by current liabilities) was approximately 0.94 (At 31 December 2010: 0.82). The liquidity of the Group was primarily dependent on its ability to generate adequate cash inflows from operating activities and its ability to obtain external financing and refinancing. The Group had bank and cash balances of approximately RMB238.90 million (including restricted bank deposits of approximately RMB138.10 million) as at 30 June 2011. As at 30 June 2011, the total bank borrowings of the Group amounted to approximately RMB1.438 billion, of which approximately RMB663 million were short-term bank borrowings and current portion of long-term borrowings and non-current portion of a long-term bank borrowings were RMB295 million and RMB480 million, respectively. The Directors are confident that there will be sufficient financial resources available to the Group to enable it to meet its liabilities as and when they fall due. Please refer to note 2 of the financial statements for the Period for further details. Since all of the Group's bank borrowings were denominated in RMB and currently the portion of revenue derived from export operations was relatively insignificant, the management believes that the Group was exposed to limited foreign exchange risk, and hence it had not made any foreign currency hedging arrangement. As at 30 June 2011, the Group's gearing ratio (calculated as total liabilities divided by total assets) was approximately 63.9% (At 31 December 2010: 63.5%).

STATUS OF INVESTMENTS

Joint venture

A jointly controlled entity, Jimont, was established on 21 December 2005 and was currently held by the Group as to 50%, Montefiber S.p.A as to 39.36% and SIMEST S.p.A as to 10.64% in equity interest, respectively. Jimont is mainly engaged in the manufacturing and sales of acrylic fiber products with a current annual production capacity of 100,000 tons. The Group was currently contemplating to launch the phase two of Jimont's acrylic fibre project. It is expected that the phase two project would further increase the total production capacity of the joint venture company to 150,000 tons. The schedule of implementing the phase two project would depend on a number of factors, including future market conditions. For the six months ended 30 June 2011, the sales and production volumes of the jointly controlled entity were 46,774 tons and 47,729 tons, respectively, with a sales-to-production ratio of approximately 98%. The plant utilisation rate of the jointly controlled entity during the current period was approximately 95%. Net profit of the jointly controlled entity for the Period was approximately RMB50.42 million (2010: RMB5.87 million), the increase in net profit as compared to the same period in the previous year was mainly attributable to the increases in gross profit margin and sales volume.

Entrusted deposits and pledged time deposits

As at 30 June 2011, the Group did not hold any 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 the restricted bank deposits of approximately RMB138.1 million, the Group had no other bank deposits which cannot be freely withdrawn.

Pledged assets

As at 30 June 2011, certain property, plant and equipment, land use rights and intangible assets with net book values of approximately RMB587.81 million, RMB5.68 million and RMB 53.09 million respectively (At 31 December 2010: RMB628.6 million, RMB6.0 million and Nil respectively) were pledged as securities to guarantee the bank borrowings of RMB519 million (At 31 December 2010: RMB319 million).

Contingent liabilities

The Group had no material contingent liabilities as at 30 June 2011.

Dividend

The board of directors of the Company has resolved not to declare any interim dividend for the six months ended 30 June 2011 (2010: Nil).

INFORMATION OF SHARE CAPITAL AND SUBSTANTIAL SHAREHOLDERS

SHARE CAPITAL

As at 30 June 2011, there was a total issued share capital of 866,250,000 shares of the Company (the "Shares") which include:

	Number of Shares	Approximate percentage of share capital of the Company
Domestic Shares	437,016,596	50.45%
Non-H Foreign Shares	169,358,404	19.55%
H Shares	259,875,000	30.00%
Total	866,250,000	100.00%

As at 30 June 2011, the following persons (not being director, supervisor or chief executive of the Company), so far as are known to all directors of the Company have an interest or short position in the Shares and 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 Securities and Futures Ordinance ("SFO"):

Name of shareholders	Number of Shares directly and indirectly held	Class of Shares	Approximate percentage in relevant class of Shares (%)			Approximate percentage in total issued share capital (%)		
			Direct interests	Indirect interests	Aggregate interests	Direct interests	Indirect interests	Aggregate interests
吉林化纖集團有限責任公司 (Jilin Chemical Fiber Group Co., Ltd.)	433,229,558	Domestic Shares	99.13	—	99.13	50.01	—	50.01
吉林市金泰投資（控股）有限責任公司 (Jilin City Jintai Investment (Holdings) Co., Ltd.)	433,229,558[1]	Domestic Shares	—	99.13	99.13	—	50.01	50.01
Ronsace Company Limited	94,841,726	Non-H Foreign Shares	56.00	—	56.00	10.95	—	10.95
Bank of China Group Investment Limited	94,841,726[2]	Non-H Foreign Shares	—	56.00	56.00	—	10.95	10.95
Bank of China Limited	94,841,726[2]	Non-H Foreign Shares	—	56.00	56.00	—	10.95	10.95

Name of shareholders	Number of Shares directly and indirectly held	Class of Shares	Approximate percentage in relevant class of Shares (%)			Approximate percentage in total issued share capital (%)		
			Direct interests	Indirect interests	Aggregate interests	Direct interests	Indirect interests	Aggregate interests
Sanlink Investments Limited	44,029,105	Non-H Foreign Shares	26.00	—	26.00	5.08	—	5.08
China Insurance Group Investment Limited	44,029,105(3)	Non-H Foreign Shares	—	26.00	26.00	—	5.08	5.08
China Life Insurance (Overseas) Company Limited	44,029,105(3)	Non-H Foreign Shares	—	26.00	26.00	—	5.08	5.08
Halesfield Investment Limited	30,487,573	Non-H Foreign Shares	18.00	—	18.00	3.52	—	3.52
Huang Jia Sen	30,487,573(4)	Non-H Foreign Shares	—	18.00	18.00	—	3.52	3.52
Huang Jia Lin	30,487,573(4)	Non-H Foreign Shares	—	18.00	18.00	—	3.52	3.52
Huang Jia Yuan	30,487,573(4)	Non-H Foreign Shares	—	18.00	18.00	—	3.52	3.52
全國社會保障基金理事會 (The National Social Security Fund of the PRC)	23,625,000	H Shares	9.09	—	9.09	2.73	—	2.73

Notes:

1. 433,229,558 Shares are deemed corporate interests indirectly held through Jilin Chemical Fiber Group Co., Ltd. under the SFO.
2. 94,841,726 Shares are deemed corporate interests indirectly held through Ronsace Company Limited under the SFO.
3. 44,029,105 Shares are deemed corporate interests indirectly held through Sanlink Investments Limited under the SFO.
4. 30,487,573 Shares are deemed corporate interests indirectly held through Halesfield Investment Limited under the SFO.

INTERESTS OF DIRECTORS AND SUPERVISORS

As at 30 June 2011, the directors, supervisors and chief executive of the Company did not have any interests and short positions in the shares, the underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (for this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors).

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and reviewed the condensed consolidated interim financial information for the six months ended 30 June 2011.

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

During the six months ended 30 June 2011, the Company did not redeem any of its shares. Neither the Company, its subsidiary nor its jointly controlled entity has purchased or sold any of the listed securities of the Company during the six months ended 30 June 2011.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2011, to the best knowledge of the directors of the Company, the Company has complied with all the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Ltd. (the "Listing Rules").

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS (THE "MODEL CODE")

During the six months ended 30 June 2011, pursuant to specific enquiries made with all directors and supervisors of the Company, all directors and supervisors of the Company confirmed that they met the standards of the Model Code as set out in Appendix 10 of the Listing Rules regarding the securities transactions by the directors and supervisors of the Company.

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2011

	Note	Unaudited As at 30 June 2011 RMB'000	Audited As at 31 December 2010 RMB'000
ASSETS			
Non-current assets			
Land use rights		**23,874**	24,816
Property, plant and equipment	6	**1,330,915**	1,279,477
Intangible assets	6	**20,515**	24,618
Interest in a jointly controlled entity	7	**202,866**	177,521
Deferred income tax assets		**74,564**	86,070
		1,652,734	1,592,502
Current assets			
Inventories		**369,400**	362,165
Trade and other receivables	8	**531,294**	359,108
Current income tax recoverable		**16,721**	1,893
Restricted bank deposits		**138,100**	202,973
Cash and cash equivalents		**100,806**	76,060
		1,156,321	1,002,199
Total assets		**2,809,055**	2,594,701
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital	9	**866,250**	866,250
Share premium	9	**142,477**	142,477
Accumulated losses		**(27,076)**	(92,831)
Other reserves		**31,919**	31,919
Total equity		**1,013,570**	947,815

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2011

	Note	Unaudited As at 30 June 2011 RMB'000	Audited As at 31 December 2010 RMB'000
LIABILITIES			
Non-current liabilities			
Long-term bank borrowings	10	**480,000**	338,000
Deferred income	11	**79,978**	83,459
		559,978	421,459
Current liabilities			
Trade and other payables	12	**272,108**	276,989
Short-term bank borrowings	10	**663,000**	630,000
Current portion of long-term bank borrowings	10	**295,000**	314,000
Current income tax liabilities		**202**	202
Derivative financial instrument	13	**5,197**	4,236
		1,235,507	1,225,427
Total liabilities		**1,795,485**	1,646,886
Total equity and liabilities		**2,809,055**	2,594,701
Net current liabilities		**(79,186)**	(223,228)
Total assets less current liabilities		**1,573,548**	1,369,274

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Note	Unaudited Six months ended 30 June **2011** **RMB'000**	 2010 RMB'000
Revenue	5	**1,081,559**	685,011
Cost of sales		**(947,256)**	(627,875)
Gross profit		**134,303**	57,136
Distribution costs		**(20,434)**	(14,812)
Administrative expenses		**(43,466)**	(34,972)
Other income	14	**239,404**	232,593
Other expenses	14	**(214,286)**	(202,515)
Other losses - net	15	**(1,545)**	(2,439)
Operating profit		**93,976**	34,991
Finance income		**1,268**	2,320
Finance costs		**(43,163)**	(36,686)
		52,081	625
Share of profit of a jointly controlled entity		**25,208**	2,935
Profit before income tax	16	**77,289**	3,560
Income tax expense	17	**(11,534)**	(172)
Profit and total comprehensive income for the period attributable to the owners of the Company		**65,755**	3,388
Earnings per share for profit attributable to the owners of the Company			
- basic and diluted (expressed in RMB cents per share)	18	**7.59**	0.39
Dividend	19	**—**	—

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Unaudited				
	Share capital RMB'000	Share premium RMB'000	Accumulated losses RMB'000	Other reserves RMB'000	Total RMB'000
At 1 January 2011	**866,250**	**142,477**	**(92,831)**	**31,919**	**947,815**
Profit for the period	**—**	**—**	**65,755**	**—**	**65,755**
At 30 June 2011	**866,250**	**142,477**	**(27,076)**	**31,919**	**1,013,570**
At 1 January 2010	866,250	142,477	(105,417)	31,919	935,229
Profit for the period	—	—	3,388	—	3,388
At 30 June 2010	866,250	142,477	(102,029)	31,919	938,617

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Unaudited Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Net cash from/(used in) operating activities	**81,166**	(11,701)
Net cash used in investing activities	**(173,798)**	(12,121)
Net cash from/(used in) financing activities	**117,378**	(51,051)
Net increase/(decrease) in cash and cash equivalents	**24,746**	(74,873)
Cash and cash equivalents at beginning of the period	**76,060**	170,431
Cash and cash equivalents at end of the period	**100,806**	95,558

1 GENERAL INFORMATION

Jilin Qifeng Chemical Fiber Co., Ltd. (the "Company") and its subsidiary (together, the "Group") is principally engaged in the production and sales of different types of acrylic fiber products (namely acrylic top, acrylic tow and acrylic staple fiber) and the development, production and sales of carbon fiber products.

The Company is a limited liability company incorporated in the People's Republic of China (the "PRC") and is listed on The Stock Exchange of Hong Kong Limited. The address of its registered office is Block 4, Zone D, Hengshan West Road, Jilin New and High Technology Development Zone, Jilin City, Jilin Province, the PRC.

This condensed consolidated interim financial information has been approved for issue by the Board of Directors of the Company on 26 August 2011.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

As at 30 June 2011, the Group's current liabilities exceeded its current assets by RMB79,186,000 and the bank borrowings as included in the Group's current liabilities amounted to RMB958,000,000. 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 is expected to be profitable and hence generating cash inflows from its future business operations.

(b) The Group has maintained its strong business relationship with its principal bankers and those principal bankers have indicated their willingness to renew those borrowings to the Group upon their original maturities. The Company's directors 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.

(c) The ultimate parent company, Jilin Chemical Fiber Group Co., Ltd. ("JCF Groupco"), has confirmed its intention and 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 confident 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 condensed consolidated interim financial information on a going concern basis.

The condensed consolidated interim financial information for the six months ended 30 June 2011 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The Group has not prepared a separate condensed consolidated income statement because it is identical to the condensed consolidated statement of comprehensive income.

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2010, as described in those annual consolidated financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The Group has adopted the following standards, amendments and interpretations to published standards issued by the Hong Kong Institutes of Certified Public Accountants ("HKICPA") which are mandatory for the first time for the financial year beginning on or after 1 January 2011:

HKAS 24 (Revised) "Related Party Disclosures" is effective for annual periods beginning on or after January 2011. It introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government. Those disclosures are replaced with a requirement to disclose:

- The name of the government and the nature of their relationship;
- The nature and amount of any individually significant transactions; and
- The extent of any collectively-significant transactions qualitatively or quantitatively.

It also clarifies and simplifies the definition of a related party. The Group has already early adopted HKAS 24 (Revised) in the Company's annual consolidated financial statements for the year ended 31 December 2010. See Note 21 for disclosures of transactions among government related entities.

Amendment to HKAS 34 "Interim Financial Reporting" is effective for annual periods beginning on or after 1 January 2011. It emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

The adoption of the abovementioned new or revised standards, amendments and interpretations and also the adoption of those first, second and third improvements to HKFRS (2008), HKFRS (2009) and HKFRS (2010) as issued by HKICPA in October 2008, May 2009 and May 2010, respectively did not result in any substantial changes to the Group's significant accounting policies and presentation of the condensed consolidated interim financial information.

The HKICPA has also issued the following new or revised standards, amendments or interpretations which are not yet effective for the financial period beginning on or after 1 January 2011:

3 ACCOUNTING POLICIES – *continued*

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Presentation of Financial Statements	1 July 2012
HKAS 12 (Amendment)	Deferred Tax: Recovering of Underlying Assets	1 January 2012
HKAS 19 (Revised 2011)	Employee Benefits	1 January 2013
HKAS 27 (Revised 2011)	Separate Financial Statements	1 January 2013
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures	1 January 2013
HKFRS 7 (Amendment)	Disclosures - Transfers of Financial Assets	1 July 2011
HKFRS 9	Financial Instruments	1 January 2013
HKFRS 10	Consolidated Financial Statements	1 January 2013
HKFRS 11	Joint Arrangements	1 January 2013
HKFRS 12	Disclosure of Interests in Other Entities	1 January 2013
HKFRS 13	Fair Value Measurements	1 January 2013

The Group has not early adopted the above new or revised standards, amendments or interpretations in this condensed consolidated interim financial information. The Group has already commenced an assessment of the related impact to the Group but is not yet in a position to state whether any substantial changes to the Group's significant accounting policies or presentation of the Group's consolidated financial statements will be resulted.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2010.

There have been no changes in the risk management department since year end or in any risk management policies.

4.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

4.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

4 FINANCIAL RISK MANAGEMENT – *continued*

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2011.

Liabilities	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Derivatives	—	—	5,197	5,197
Total	—	—	5,197	5,197

In 2011 there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial liabilities.

The following table presents the Group's liabilities that are measured at fair value at 31 December 2010.

Liabilities	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Derivatives	—	—	4,236	4,236
Total	—	—	4,236	4,236

5 SEGMENT INFORMATION

The chief operating decision-makers have been identified as the three Executive Directors of the Company (including the General Manager and the Chief Financial Officer 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, namely acrylic fiber and carbon fiber products. The operating segment for carbon fiber products has officially commenced its first phase of operation in August 2009.

All of the Group's operations and assets are located in the PRC except that, a portion of the Group's revenue for six months ended 30 June 2011 of RMB79,386,000 (2010: RMB25,589,000) was in connection with sales to overseas customers. Therefore, the Decision-Makers only consider the Group's business from a product perspective, rather than a geographic perspective. The Decision-Makers assess the performance of the operating segments of acrylic fiber products and carbon fiber products on a regular basis.

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

Turnover for the six months ended 30 June 2011 consists of sales from the acrylic fiber products segment and carbon fiber products segment of RMB1,075,527,000 (2010: RMB678,430,000) and RMB6,032,000 (2010: RMB6,581,000) respectively.

The Group does not have any inter-segment sales during the period.

5 SEGMENT INFORMATION – *continued*

The segment information provided to the Decision-Makers for the six months ended 30 June 2011 and 2010 is as follow:

	Unaudited		
	Acrylic fiber products RMB'000	Carbon fiber products RMB'000	Total RMB'000
Six months ended 30 June 2011			
Total revenue from external customers	**1,075,527**	**6,032**	**1,081,559**
Adjusted segment results (Note)	**178,903**	**(4,784)**	**174,119**
Share of profit of a jointly controlled entity	**25,208**	**—**	**25,208**
Depreciation and amortisation	**(76,731)**	**(2,451)**	**(79,182)**
Income tax (expense)/credit	**(12,890)**	**1,356**	**(11,534)**
	114,490	**(5,879)**	**108,611**
Additions to non-current assets (other than deferred income tax assets)	**7,122**	**118,454**	**125,576**
Six months ended 30 June 2010			
Total revenue from external customers	678,430	6,581	685,011
Adjusted segment results (Note)	110,021	2,922	112,943
Share of profit of a jointly controlled entity	2,935	—	2,935
Depreciation and amortisation	(70,415)	(2,392)	(72,807)
Income tax credit/(expense)	165	(337)	(172)
	42,706	193	42,899
Additions to non-current assets (other than deferred income tax assets)	11,965	1,158	13,123

5 SEGMENT INFORMATION – *continued*

	Unaudited		
	Acrylic fiber products RMB'000	Carbon fiber products RMB'000	Total RMB'000
As at 30 June 2011			
Total assets	**2,215,873**	**501,897**	**2,717,770**
Total assets include:			
Interest in a jointly controlled entity	**202,866**	**—**	**202,866**
Total liabilities	**252,946**	**99,140**	**352,086**
As at 30 June 2010			
Total assets	2,248,288	112,606	2,360,894
Total assets include:			
Interest in a jointly controlled entity	170,770	—	170,770
Total liabilities	271,244	21,864	293,108

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

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

	Unaudited Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Adjusted segment results for reportable segments	**174,119**	112,943
Depreciation	**(74,138)**	(67,762)
Amortisation	**(5,044)**	(5,045)
Net loss on derivative financial instrument	**(961)**	(5,145)
Operating profit	**93,976**	34,991
Finance costs - net	**(41,895)**	(34,366)
Share of profit of a jointly controlled entity	**25,208**	2,935
Profit before income tax	**77,289**	3,560

5 SEGMENT INFORMATION – *continued*

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

Reportable segments' assets are reconciled to total assets as follows:

	Unaudited As at 30 June 2011 RMB'000	Audited As at 31 December 2010 RMB'000
Segment assets for reportable segments	**2,717,770**	2,506,738
Unallocated:		
Deferred income tax assets	**74,564**	86,070
Current income tax recoverable	**16,721**	1,893
	91,285	87,963
Total assets per condensed consolidated balance sheet	**2,809,055**	2,594,701

Reportable segments' liabilities are reconciled to total liabilities as follows:

	Unaudited As at 30 June 2011 RMB'000	Audited As at 31 December 2010 RMB'000
Segment liabilities for reportable segments	**352,086**	360,440
Unallocated:		
Current borrowings	**958,000**	944,000
Non-current borrowings	**480,000**	338,000
Current income tax liabilities	**202**	202
Derivative financial instrument	**5,197**	4,236
	1,443,399	1,286,438
Total liabilities per condensed consolidated balance sheet	**1,795,485**	1,646,886

5 SEGMENT INFORMATION – *continued*

Note:

As detailed out in Note 14, the Group has managed and operated certain Utility Facilities and Leased Assets starting from November 2008 with the primarily aim to produce electricity and steam for its own production of acrylic fiber and carbon fiber products at the most cost efficient manner and any surplus of utilities as generated from these Utility Facilities and Leased Assets will be provided to fellow subsidiaries, jointly controlled entity, other related companies and third parties at rates to be determined amongst the parties concerned. The adjusted segment results for the six months ended 30 June 2011 as disclosed above for the acrylic fiber products segment included an amount of RMB33,677,000 (2010: RMB38,874,000), representing the related income net of direct outgoings (other than depreciation charge), which is attributable to the provisions of surplus utilities to fellow subsidiaries, jointly controlled entity and third parties.

6 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Unaudited	
	Property, plant and equipment RMB'000	Intangible assets RMB'000
Six months ended 30 June 2011		
Opening net book amount at 1 January 2011	1,279,477	24,618
Additions	125,576	—
Disposals	—	—
Depreciation and amortisation	(74,138)	(4,103)
Closing net book amount at 30 June 2011	1,330,915	20,515
Six months ended 30 June 2010		
Opening net book amount at 1 January 2010	1,334,467	32,825
Additions	13,123	—
Disposals	(57)	—
Depreciation and amortisation	(67,762)	(4,104)
Closing net book amount at 30 June 2010	1,279,771	28,721

Management has reviewed the recoverable amounts of the Group's key operating assets (primarily with respect to property, plant and equipment, intangible assets and land use rights) and concluded that the recoverable amounts of these key operating assets exceed their carrying amounts. The recoverable amounts of these key operating assets have been determined based on value-in-use calculations.

7 INTEREST IN A JOINTLY CONTROLLED ENTITY

	Unaudited Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
At 1 January	177,521	167,698
Share of profit	25,208	2,935
Others	137	137
At 30 June	202,866	170,770

The Group has a 50% equity interest in a jointly controlled entity, Jilin Jimont Acrylic Fiber Co., Ltd. ("Jimont"), established in the PRC and its principal activity is the manufacturing and sales of acrylic fiber products. The following is the extract of the financial information of Jimont and the 50% interests being shared by the Group:

	Unaudited As at 30 June 2011		Audited As at 31 December 2010	
	Jimont	50% shared by the Group	Jimont	50% shared by the Group
	RMB'000	RMB'000	RMB'000	RMB'000
Balance sheet				
ASSETS				
Non-current assets				
Land use rights	23,744	11,872	24,009	12,005
Property, plant and equipment	858,978	429,489	883,212	441,606
Intangible assets	27,512	13,756	28,325	14,162
Deferred income tax assets	7,482	3,741	14,574	7,287
	917,716	458,858	950,120	475,060
Current assets				
Inventories	190,934	95,467	165,292	82,646
Trade and other receivables	232,629	116,315	118,388	59,194
Current income tax recovarable	—	—	1,734	867
Derivative financial instrument	2,008	1,004	11,396	5,698
Cash and cash equivalents	95,601	47,800	91,436	45,718
	521,172	260,586	388,246	194,123
Total assets	1,438,888	719,444	1,338,366	669,183

7 INTEREST IN A JOINTLY CONTROLLED ENTITY – *continued*

	Unaudited As at 30 June 2011		Audited As at 31 December 2010	
	Jimont RMB'000	50% shared by the Group RMB'000	Jimont RMB'000	50% shared by the Group RMB'000
Equity				
Capital and reserves attributable to the owners				
Share capital	450,000	225,000	450,000	225,000
Accumulated losses	(36,352)	(18,176)	(86,767)	(43,384)
Total equity	413,648	206,824	362,889	181,616
Liabilities				
Non-current liabilities				
Long-term bank borrowings	429,000	214,500	479,000	239,500
Current liabilities				
Trade and other payables	94,720	47,360	124,613	62,307
Short-term bank borrowings	318,000	159,000	238,000	119,000
Current portion of long-term bank borrowings	183,520	91,760	133,520	66,760
	596,240	298,120	496,133	248,067
Total liabilities	1,025,240	512,620	975,133	487,567
Total equity and liabilities	1,438,888	719,444	1,338,366	669,183
Jointly controlled entity's capital commitments	40,506	20,253	54,880	27,440

7 INTEREST IN A JOINTLY CONTROLLED ENTITY – *continued*

Income statement

	Unaudited For the six months ended 30 June 2011		Unaudited For the six months ended 30 June 2010	
	Jimont RMB'000	50% shared by the Group RMB'000	Jimont RMB'000	50% shared by the Group RMB'000
Revenue	1,005,589	502,795	651,636	325,818
Cost of sales	(878,805)	(439,403)	(597,469)	(298,735)
Gross profit	126,784	63,392	54,167	27,083
Distribution costs	(20,812)	(10,406)	(15,539)	(7,769)
Administrative expenses	(11,306)	(5,653)	(10,562)	(5,281)
Other expenses – net	(397)	(198)	(37)	(18)
Other gains – net	(480)	(240)	5,267	2,634
Operating profit	93,789	46,895	33,296	16,649
Finance costs – net	(36,282)	(18,141)	(26,925)	(13,463)
Profit before income tax	57,507	28,754	6,371	3,186
Income tax expense	(7,092)	(3,546)	(501)	(251)
Profit for the period	50,415	25,208	5,870	2,935

Notes: There are no contingent liabilities relating to the Group's interest in the jointly controlled entity, and no contingent liabilities in the jointly controlled entity itself.

8 TRADE AND OTHER RECEIVABLES

	Unaudited As at 30 June 2011 RMB'000	Audited As at 31 December 2010 RMB'000
Trade receivables (Note a)	**41,082**	45,440
Less: provision for impairment	**(6,663)**	(5,021)
Trade receivables – net	**34,419**	40,419
Prepayments	**123,375**	50,083
Notes receivables	**173,521**	107,217
Other receivables	**65,289**	25,995
Less: provision for impairment	**(7,516)**	(7,516)
Other receivables – net	**57,773**	18,479
Amounts due from		
– the ultimate parent company	**—**	1,144
– fellow subsidiaries	**142,206**	92,633
– the jointly controlled entity	**—**	49,133
	142,206	142,910
	531,294	359,108

Notes:

(a) The Group's sales are normally conducted on cash on delivery terms or a credit term of 30 days. Aging analysis of the trade receivables at the respective balance sheet date are as follows:

	Unaudited As at 30 June 2011 RMB'000	Audited As at 31 December 2010 RMB'000
0 - 30 days	20,839	14,152
31 - 90 days	11,360	2,895
91 - 365 days	4,176	146
Over 365 days	4,707	28,247
	41,082	45,440

9 SHARE CAPITAL AND PREMIUM

(a) Share capital

	Number of shares (in thousand)	Nominal values RMB'000
Registered, issued and fully paid		
– Domestic shares of RMB 1 each	437,017	437,017
– Non-H foreign shares of RMB 1 each	169,358	169,358
– H shares of RMB 1 each	259,875	259,875
	866,250	866,250

Notes:

(i) There was no movement in share capital during the periods ended 30 June 2011 and 2010.

(ii) The Company was converted into a joint stock company on 23 May 2005, with registered, issued and fully paid capital of RMB630,000,000 divided into 630,000,000 shares at par value of RMB 1 each (out of which: 460,642,000 shares were domestic shares and 169,358,000 shares are foreign shares).

On 21 June 2006, the Company successfully offered 236,250,000 H shares and listed on The Stock Exchange of Hong Kong Limited. On the same date, the Company had transferred 23,625,000 domestic shares to National Council for Social Security Fund (the "NCSSF") and NCSSF entrusted the Company to convert these shares into the Company's H shares.

(b) Share premium

Share premium represents the amount of funds contributed by the shareholders in excess of the par value of the Company's H shares as issued during the Company's initial public offering in June 2006.

10 BORROWINGS

	Unaudited As at 30 June 2011 RMB'000	Audited As at 31 December 2010 RMB'000
Non-current		
Long-term bank borrowings	**775,000**	652,000
Less: Current portion of long-term bank borrowings	**(295,000)**	(314,000)
	480,000	338,000
Current		
Short-term bank borrowings	**663,000**	630,000
Current portion of long-term bank borrowings	**295,000**	314,000
	958,000	944,000
Total borrowings	**1,438,000**	1,282,000

Movements in borrowings are analysed as follows:

	Unaudited 2011 RMB'000	Unaudited 2010 RMB'000
At 1 January	**1,282,000**	1,220,000
Drawn down	**553,000**	270,000
Repayments	**(397,000)**	(287,000)
At 30 June	**1,438,000**	1,203,000

The Group's borrowings are all denominated in Renminbi and hence will not expose the Group to any foreign exchange risk. All bank borrowings bear floating interest rates which expose the Group to interest rate risk.

10 BORROWINGS – *continued*

As at 30 June 2011, the contractual maturities of the Group's non-derivative financial liabilities were as follows:

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total contracted cash flows RMB'000	Carrying amounts RMB'000
At 30 June 2011						
Trade and other payables	227,584	—	—	—	227,584	227,584
Short-term bank borrowings	680,635	—	—	—	680,635	663,000
Long-term bank borrowings	312,680	133,786	183,828	338,105	968,399	775,000
Total non-derivatives	1,220,899	133,786	183,828	338,105	1,876,618	1,665,584
At 31 December 2010						
Trade and other payables	220,260	—	—	—	220,260	220,260
Short-term bank borrowings	647,818	—	—	—	647,818	630,000
Long-term bank borrowings	347,313	146,802	70,647	250,585	815,347	652,000
Total non-derivatives	567,573	146,802	70,647	250,585	1,683,425	1,502,260

The Group has the following undrawn borrowing facilities:

	As at 30 June 2011	As at 30 June 2010
Floating rate bank borrowings:		
– expiring within one year	—	50,000
– expiring beyond one year	—	30,000
	—	80,000

11 DEFERRED INCOME

As at 30 June 2011, deferred income represents the unamortised amounts of certain government grants as received by the Group for the constructions of certain property, plant and equipment and income tax credits in connection with the purchases of certain domestically manufactured equipment of RMB66,410,000 (As at 31 December 2010: RMB68,088,000) and RMB13,568,000 (As at 31 December 2010: RMB14,952,000) respectively.

12 TRADE AND OTHER PAYABLES

	Unaudited As at 30 June 2011 RMB'000	Audited As at 31 December 2010 RMB'000
Trade payables *(Note(a))*	146,116	154,182
Advance from customers	16,465	38,506
Payable for purchases of property, plant and equipment	—	25,911
Amounts due to related parties *(Note (b))*	28,794	3,759
Other payables and accruals	50,714	21,276
Provision for staff welfare	29,569	27,679
Social security and other taxes	450	5,676
	272,108	276,989

Notes:

(a) Aging analysis of the trade payables at the respective balance sheet date are as follows:

	Unaudited As at 30 June 2011 RMB'000	Audited As at 31 December 2010 RMB'000
0 – 30 days	98,688	45,823
31 – 90 days	32,263	94,320
91 – 365 days	9,633	9,756
Over 365 days	5,532	4,283
	146,116	154,182

(b) The amounts due to related companies are unsecured, interest free and have no fixed terms of repayment.

13 DERIVATIVE FINANCIAL INSTRUMENT

	Unaudited As at 30 June 2011 RMB'000	Audited As at 31 December 2010 RMB'000
Derivative financial liability *(Note)*		
- Interest rate swap contract	5,197	4,236

Note:

The derivative financial liability represents an interest rate swap contract with notional principal amount of RMB130,000,000, maturing in November 2015. The interest rate swap contract has been recognised in the condensed consolidated balance sheet based on its fair value as at the respective balance sheet date.

The Company's directors consider that the abovementioned interest rate swap contract does not qualify for hedge accounting and the net loss associated with this derivative financial instrument of RMB961,000 (six months ended 30 June 2010: net loss of RMB5,145,000) has been recognised within 'other losses/gains - net' in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2011 (Note 15).

14 OTHER INCOME AND EXPENSES

	Unaudited Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Other income		
Income from provision of utilities *(Note)*	235,758	227,598
Amortisation of deferred income	2,320	3,481
Reversal of impairment of trade receivables	—	1,109
Others	1,326	405
	239,404	232,593
Other expenses		
Direct outgoings in respect of provision of utilities *(Note)*	(213,769)	(202,515)
Others	(517)	—
	(214,286)	(202,515)
	25,118	30,078

14 OTHER INCOME AND EXPENSES – *continued*

Note:

The Group owns certain utilities production facilities for supplies of water, steam and electricity (including a thermal power plant) (collectively the "Utility Facilities"). On 26 August 2008, the Group has entered into a lease agreement with a fellow subsidiary pursuant to which, the Group leases certain utilities production facilities (the "Leased Assets") from the fellow subsidiary for the period from 4 November 2008 to 31 December 2010 and the lease term was renewed for another three years to 31 December 2013. Combined with the utilities production capacities of the Utility Facilities, management believes that the Group can produce electricity and steam for its own production in a more cost efficient manner and the surplus of utilities as generated from the Utility Facilities and the Leased Assets will be provided to the Group's fellow subsidiaries, jointly controlled entity and third parties at the rates to be determined amongst the parties in concern.

For the six months ended 30 June 2011, the income from the provisions of utilities to the fellow subsidiaries, jointly controlled entity and third parties amounted to RMB128,365,000 (2010: RMB130,862,000), RMB85,828,000 (2010: RMB68,003,000), RMB21,565,000 (2010: RMB28,733,000) respectively. Direct outgoings in respect of the income from provision of utilities primarily comprise of cost of raw materials, apportioned operating lease rentals for the Leased Assets, depreciation of the Utility Facilities and related staff costs of RMB167,474,000 (2010: RMB157,933,000), RMB18,219,000 (2010: RMB12,433,000), RMB11,727,000 (2010: RMB13,791,000) and RMB167,474,000 (2010: RMB8,551,000) respectively.

15 OTHER LOSSES - NET

	Unaudited Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Other gains		
Gain attributable to equity interests of a jointly controlled entity	**137**	137
Gain on disposals of property, plant and equipment	**—**	2,905
	137	3,042
Other losses		
Net loss on derivative financial instrument	**(961)**	(5,145)
Foreign exchange gains/(losses), net	**332**	(295)
Others	**(1,053)**	(41)
	(1,682)	(5,481)
	(1,545)	(2,439)

16 PROFIT BEFORE INCOME TAX

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

	Unaudited Six months ended 30 June 2011 RMB'000	 2010 RMB'000
Changes in inventories of finished goods and work in progress	(35,190)	(91,438)
Raw materials used for production of fiber products	657,827	549,570
	622,637	458,132
Raw materials used for provision of utilities	167,474	157,933
Depreciation (note 6)	74,138	67,762
Amortisation of		
- land use rights	941	941
- intangible assets (note 6)	4,103	4,104
Interest expenses on		
- bank borrowings	38,277	33,462
- discounted notes receivable	4,886	3,224
	43,163	36,686
Provision for impairment of inventories	866	878

17 INCOME TAX EXPENSE

The amount of taxation charged to the condensed consolidated statement of comprehensive income represents:

	Unaudited Six months ended 30 June 2011 RMB'000	 2010 RMB'000
Current income tax		
– PRC corporate income tax	28	219
Deferred income tax		
– charge/(credit) for the period	11,506	(47)
Income tax expense	11,534	172

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 current and the prior periods.

The corporate income tax rate applicable to the Company and its subsidiary for the current and the prior periods is 25%.

The current income tax for the current period represents the provision for corporate income tax on the estimated tax assessable profit as generated by the subsidiary in the PRC during the current period. No provision for corporate income tax has been made by the Company as it has sufficient tax losses brought forward to offset its estimated tax assessable profit generated in the PRC for the current period.

The Company and its subsidiary did not have any estimated tax assessable profit generated in the PRC during the prior period.

18 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit attributable to the owners of the Company for the period by the weighted average number of the Company's shares in issue during the six months ended 30 June 2011 of 866,250,000 (2010: 866,250,000) shares.

The Company has no dilutive potential ordinary shares and therefore the diluted earnings per share is equal to the basic earnings per share.

19 DIVIDEND

The Company's directors do not recommend the declaration of an interim dividend for the six months ended 30 June 2011 and 2010.

20 COMMITMENTS

(a) Operating commitments

(i) Operating lease commitments – The Group is the lessee

The Group leases certain utilities production facilities (the "Leased Assets") from a fellow subsidiary for the period from 4 November 2008 to 31 December 2010 (the "Initial Lease Period") and the lease term was renewed for another three years to 31 December 2013 (Note 14).

The estimated future aggregate minimum lease payments under non-cancellable operating leases in respect of these Leased Assets during the Initial Lease Period are as follows:

	Unaudited As at 30 June 2011 RMB'000	Audited As at 31 December 2010 RMB'000
No later than 1 year	**36,113**	36,890
Later than 1 year and no later than 5 years	**51,451**	69,119
	87,564	106,009

20 COMMITMENTS – *continued*

(a) Operating commitments – *continued*

(ii) Operating lease arrangements - The Group is the lessor

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	Unaudited As at 30 June 2011 RMB'000	Audited As at 31 December 2010 RMB'000
Land use rights		
No later than 1 year	119	119
Later than 1 year and no later than 5 years	429	474
Later than 5 years	163	177
	711	770

(b) Capital commitments

As at the respective balance sheet dates, capital expenditures contracted for but not yet incurred are as follows:

	Unaudited As at 30 June 2011 RMB'000	Audited As at 31 December 2010 RMB'000
Property, plant and equipment	66,900	89,776

21 SIGNIFICANT RELATED PARTY TRANSACTIONS

The Group is controlled by JCF Groupco, the ultimate parent company, which owns 50.01% of the Company's shares. The remaining 49.99% of the Company's shares are held by public shareholders and several strategic investors.

JCF Groupco itself is a state-owned enterprise controlled by the PRC government. In accordance with HKAS 24 "Related Party Disclosures", state-owned enterprises and their subsidiaries directly or indirectly controlled by the PRC government are also defined as related parties of the Company. A portion of the Group's business activities is conducted with other PRC state-owned enterprises (primarily with respect to sales of finished products, purchases of raw materials and transactions with state-owned banks). The Group believes that these transactions are carried out on commercial terms that are similarly and consistently applied to all customers or suppliers.

21 SIGNIFICANT RELATED PARTY TRANSACTIONS – *continued*

For the purpose of related party transaction disclosures, the Group has identified, to the extent practicable, its customers and suppliers as to whether they are state-owned enterprises. It should be noted, however, that substantially all of the Group's business activities are conducted in the PRC and the influence of the PRC government in the Chinese economy is pervasive. In this regard, the PRC government indirectly holds interests in many companies. Many PRC state-owned enterprises have multi-layered corporate structure and the ownership structures change over time as a result of transfers and privatisation programs. Some of these interests may, in themselves or when combined with other indirect interests, be controlling interests. Such interests, however, would not be known to the Group and are not reflected in the disclosures below. Nevertheless, the Company's directors believe that meaningful information in respect of related party transactions has been adequately disclosed.

In addition to those disclosed elsewhere in the condensed consolidated interim financial information, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the period.

(a) Significant transactions with related parties

	Unaudited Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Sales of goods and services to:		
- a shareholder of the Company	326,501	169,161
- fellow subsidiaries	1,152	9
- other state-owned enterprises	—	37,608
Provision of utilities to:		
- the jointly controlled entity	85,828	68,003
- fellow subsidiaries	128,365	130,862
Net income of sales of raw materials to the jointly controlled entity and fellow subsidiaries	9,166	3,733
Interest income from a jointly controlled entity	680	2,037
Rental expense to fellow subsidiaries in respect of the Lease Assets	20,377	(19,894)
Purchases of raw materials from:		
- the jointly controlled entity	70,375	(20,694)
- fellow subsidiaries	7,476	(3,947)
- other state-owned enterprises	731,540	(496,866)
Interest expenses to state-owned banks	26,190	(30,618)
Advances from fellow subsidiaries	—	30,500
Advances to fellow subsidiaries	—	(88,768)
Drawdown of loans from state-owned banks	553,000	130,000
Repayments of loans to state-owned banks	(397,000)	(187,000)

JCF Groupco allowed the Group to use of the trademark of "白山" (Baishan) at nil consideration during the six months ended 30 June 2011 and 2010.

The Group permitted JCF Groupco to use the Group's premises free of rent to operate its staff canteen. The Group is not required to bear the operating costs of the canteen.

21 SIGNIFICANT RELATED PARTY TRANSACTIONS – *continued*

(b) Significant balances with related parties

	Unaudited As at 30 June 2011 RMB'000	Audited As at 31 December 2010 RMB'000
Trade receivables in respect of sales of goods		
– a fellow subsidiary	**21,082**	24,807
Amounts due from:		
In respect of provision of utilities		
– the ultimate parent company	**—**	1,144
– fellow subsidiaries	**142,206**	90,365
– the jointly controlled entity	**—**	49,133
	142,206	140,642
In respect of advances and others:		
– fellow subsidiaries	**—**	2,268
	163,288	142,910
Receipts in advance from customers		
– a shareholder of the Company	**—**	9,456
Amounts due to		
– the ultimate parent company	**152**	—
– fellow subsidiaries	**2,915**	3,759
– the jointly controlled entity	**25,727**	—
	28,794	3,759

21 SIGNIFICANT RELATED PARTY TRANSACTIONS – *continued*

(c) Key management compensation

Key management includes executive and non-executive directors, supervisors and secretaries to the board of directors of the Company. The compensation paid or payable to the key management is shown below:

	Unaudited Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Wages, salaries and other short-term employee benefits	**1,560**	1,558
Pension and social security costs	**120**	109
	1,680	1,667

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Wang Jinjun *(Chairman)*
Mr. Yang Xuefeng
Mr. Wang Changsheng

Non-executive Directors

Mr. Ma Jun
Mr. Gong Jianzhong
Mr. Chen Jinkui
Mr. Jiang Junzhou
Ms. Zhu Ping

Independent Non-executive Directors

Mr. Ye Yongmao
Mr. Mao Fengge
Mr. Lee Ka Chung, J.P.

SUPERVISORS

Ms. Sun Yujing
Mr. Zhang Jiaku
Mr. Zhang Haiou
Ms. Bai Hua
Mr. Cheng Jianhang
Mr. Liu Ming

AUDIT COMMITTEE

Mr. Lee Ka Chung, J.P. *(Chairman)*
Mr. Jiang Junzhou
Mr. Ye Yongmao

BOARD REMUNERATION COMMITTEE

Mr. Mao Fengge *(Chairman)*
Mr. Lee Ka Chung, J.P.
Mr. Gong Jianzhong

NOMINATION COMMITTEE

Mr. Mao Fengge *(Chairman)*
Mr. Ye Yongmao
Mr. Chen Jinkui

CONNECTED TRANSACTIONS COMMITTEE

Mr. Mao Fengge *(Chairman)*
Mr. Lee Ka Chung, J.P.
Mr. Ye Yongmao

JOINT COMPANY SECRETARIES

Ms. Liu Xiangmei
Mr. Chan Cheung

QUALIFIED ACCOUNTANT

Mr. Chan Cheung

AUTHORISED REPRESENTATIVES

Mr. Wang Changsheng
Mr. Chan Cheung

PRC REGISTERED OFFICE

Block 4, Zone D,
Hengshan West Road,
Jilin New and High Technology Development Zone,
Jilin City, Jilin Province,
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

43/F Gloucester Tower,
The Landmark,
15 Queen's Road Central,
Hong Kong

AUDITORS

PricewaterhouseCoopers

LEGAL ADVISOR AS TO HONG KONG LAW

Orrick, Herrington & Sutcliffe

PRINCIPAL BANKERS

China Construction Bank
Jilin City Commercial Bank
Agricultural Bank of China
China Minseng Banking Corp. Ltd.
Bank of Communications

H SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor,
Hopewell Centre, 183 Queen's Road East,
Hong Kong