中国节能

中國節能海東青
CECEP COSTIN

中國節能海東青新材料集團有限公司
CECEP COSTIN NEW MATERIALS GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2228

2012
INTERIM REPORT

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Corporate Information

EXECUTIVE DIRECTORS
Mr. Yu Heping *(Co-Chairman)*
Mr. Chim Wai Kong *(Co-Chairman)*
Mr. Chim Wai Shing Jackson *(Chief Executive Officer)*
Mr. Xue Mangmang

NON-EXECUTIVE DIRECTORS
Mr. Wang Yangzu
Mr. Qu Pingji
Mr. Zhao Xiangdong
Mr. Pan Tingxuan

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 *(ACA, CFA, FCCA, FCPA)*

AUDITOR
RSM Nelson Wheeler
Certified Public Accountants

INVESTOR RELATIONS CONSULTANT
Christensen International Limited

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
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Hong Kong

REGISTERED OFFICE
Scotia Centre 4th Floor
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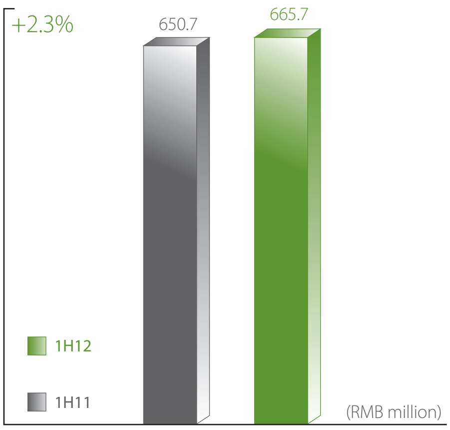
Grand Cayman KY1-1112
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Suites 2703-04
27th Floor, Tower 6
The Gateway
Harbour City
Kowloon

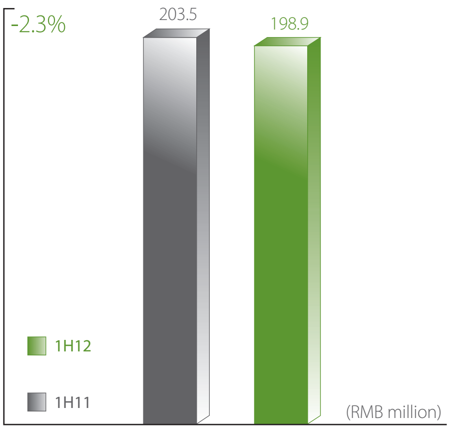
WEBSITE
www.costingroup.com

Results Highlights

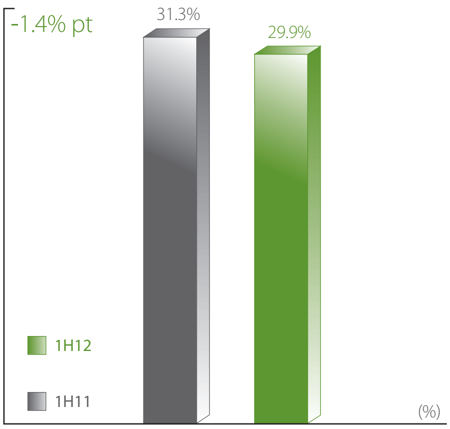
TURNOVER



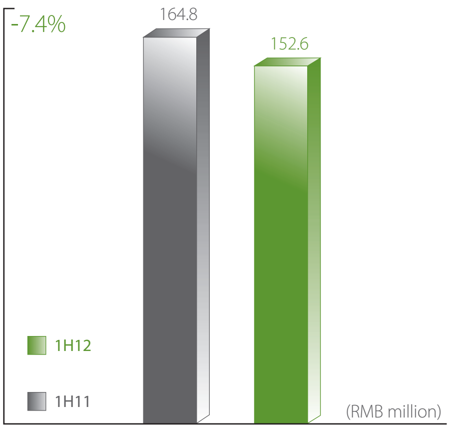
GROSS PROFIT



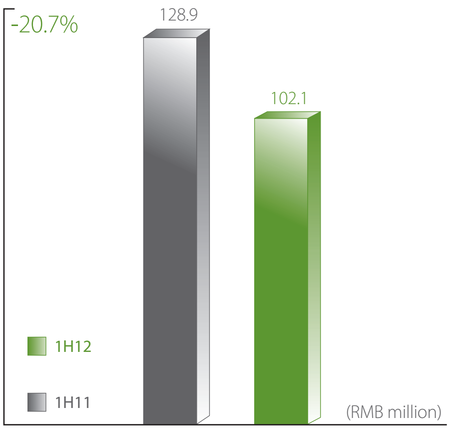
GROSS PROFIT MARGIN



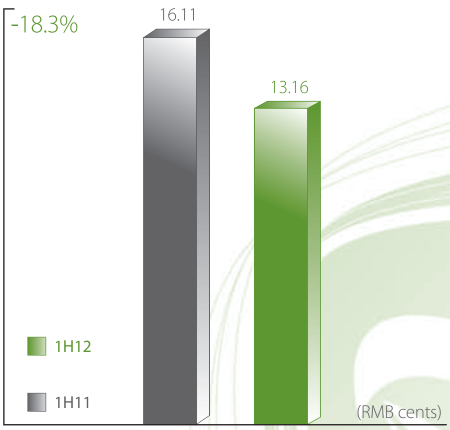
PROFIT FROM OPERATIONS



PROFIT FOR THE PERIOD



BASIC EARNINGS PER SHARE



Management Discussion and Analysis

BUSINESS REVIEW

Consolidating the foundation, forging ahead with innovation

The year of 2012 is the "year of consolidation" for CECEP COSTIN New Materials Group Limited ("the Company") and its subsidiaries (collectively referred to as the "Group"). The Group adheres to the guidelines of "consolidating foundation, guiding applications, identifying resources, and exploring new opportunities", so as to promote industrial upgrading and transform the mode of production by shifting the focus from scientific management to an artistic style of management, from product sales to technology marketing, from managing talents to cultivating talents and from scientific innovation to creative technology.

The year of 2012 is extremely challenging for the non-woven materials and recycled chemical fibres industries. In the first half of the year, the Group's sales of non-woven materials and its gross profit margin were generally maintained as compared to the same period of last year. Whereas the sales and gross profit margin of recycled chemical fibres slid as compared to the same period of last year, mainly due to the macro-economic environment that dented the market demand for recycled chemical fibre products. In addition, as the production lines of thermal resistant filtration materials were put into operation only in the fourth quarter of last year, and the sale is still at the incipient stage, there has been no profit contributed to the Group.

To meet the needs of the market and customers, the Group adjusted marketing strategy and established 6 divisions for business expansion focusing on improving products and services, including Sales Department of Filter Materials and Filter Bags, Sales Department of Shoe Materials and Household Materials, Sales Department of Decoration Materials, Sales Department of Chemical Fibres and Chemicals, Department of International Business Expansion and Industrial Consulting Service Platform. The Group was in the hope that the establishment of these departments could raise the professional standard for each targeted industries, better serve the customers and promote the sales of products. The Group accomplished a comprehensive sales layout in the Greater China region by setting up more than 20 branch companies and representative offices in Beijing, Shanghai, Guangzhou and Hong Kong, with a view to maintaining closer ties with customers. Moreover, the Department of International Business Expansion expanded the sales coverage into Europe, South America, North America and Southeast Asia. The Department also adopted the mode of B2B E-commerce by leveraging on its internet trading platform to promote and advertise products. The Group also set targets for management, i.e. lowering cost, tapping new resources and reducing expenditure, eliminating bottlenecks and enhance efficiency.

In respect of customer service, the Group exerted every effort to reduce customer complaints on major issues through conducting customer surveys for product evaluation via visits, online platform and telephone. Meanwhile, the Group established "Technical Solution Office", in order to facilitate the communication of R&D department with the market and sales team, which enabled the internal coordination between the production and R&D for solving technical issues arising from production, and external provision of effective technical solutions to users for using the products. Services provided by the Office includes engineering design, estimation of product life cycle and operating conditions, the formulation of technical indicators and the design of end products. The Office is also responsible for directing customer feedbacks to R&D department and production department, continuously improving product quality and service standards.

Looking ahead, the Group will strive to realize the goal of building CECEP COSTIN New Materials Group into a comprehensive science and technology group within the "Third Five-Year Plan" period, adhere to the guidelines of "consolidating foundation, guiding applications, identifying resources, and exploring new opportunities", so as to promote industrial upgrading and differentiated management, and transform and upgrade the conventional marketing to technology marketing.

Management Discussion and Analysis

BUSINESS REVIEW (CONTINUED)

Beefing up production capacity, accommodating market demand

As at 30 June 2012, the Group has 17 stitch-bonded production lines with a production capacity of approximately 103 million yards per annum and 9 needle-punching production lines with a production capacity of approximately 57 million yards per annum in respect of non-woven materials with 3D engineering structure; in respect of thermal resistant filtration materials, 3 production lines with a production capacity of approximately 21 million sq.m. per annum; in respect of recycled chemical fibres, 2 production lines with an annual production capacity of 42,000 tons, handling 53,000 tons of PET chips per annum. In addition to satisfying the internal production needs, the Group may sell any surplus PET chips to external parties.

Product R&D

As at 30 June 2012, the Group had 15 patents. Besides, the Group is applying for registration of 43 patents, including 35 patents developed by the Group independently and 8 patents are jointly applied for registration by the Group and Tianjin Polytechnic University, with more than 20 new products being developed in aggregate.

The industry standards for 3 types of non-woven materials prepared by the Group have been issued in 2012. This is a manifestation of our leading role in non-woven materials industry and our predominance in the industry in terms of R&D capabilities and technical levels. We commenced the operation of the new Technology Centre last year and established Technical Solution Office with auxiliary New Product and Market Technical Service Committee formed, integrating various existing technical experts of the Company into a horizontal-structured team and bringing the consultant team of the Company into full play, so as to function the Technical Solution Office as the engine of product R&D and market service. The Group will continue to intensify the investment in technology and scientific research, studying new alternative environmental friendly materials and various functional materials, and also provide more product application solutions for customers.

Wide recognition of the brand strength

The Company was listed in "China's Enterprises with Great Potential for 2012" by the world-renowned financial magazine "Forbes" and proudly named as one of the listed companies with highest potential in the PRC, ranking 48th out of the 100 selected listed companies, demonstrating the wide recognition of the strength of the Group. In addition, the Group was accredited as Top 100 Export Enterprises of Textiles and Garment Industry in the PRC and Top 10 Most Competitive Textile Enterprises in the PRC by the China Textile Industry Association.

Strengthening the shareholder base

In April 2012, CECEP Chongqing Industry Co. Ltd ("CECEP Chongqing"), a subsidiary of China Energy Conservation and Environmental Protection Group ("CECEP"), completed the acquisition of 29% equity interest in COSTIN New Materials Group Limited, becoming the largest single shareholder and a strategic partner of the Company. Since then, the Company officially changed the company name to "CECEP COSTIN New Materials Group Limited" ("CECEP COSTIN"). Capitalizing on the same development concept in energy conservation and environmental protection industry, both parties will cooperate to further consolidate the leading position of CECEP COSTIN in the market of industrial consumer goods. CECEP is the only state-owned enterprise centred on energy conservation and environmental protection and is an integrated service operator with the largest scale and comprehensive competitiveness in the field. The Group believes that the business network, technology and sales platform of CECEP will bring further growth momentum to the Group and enable the Group to generate higher returns for all the shareholders.

Management Discussion and Analysis

BUSINESS REVIEW (CONTINUED)

Beefing up production capacity

Becoming aware of a huge potential market demand for non-woven materials and recycled chemical fibres, the Group will continue to build new production facilities and upgrade its existing production lines so as to boost production capacity, which will further enhance the scale advantages and consolidate its leading position in the market. For the purpose of expanding the Group's production capacity, on 15 February 2011, the Group entered into an investment agreement (the "Investment Agreement") with a PRC governmental authority in respect of the Group's acquisition of a parcel of land (the "Land") of approximately 600 mu at Yongan City of Fujian Province, the PRC for use in the development of production facilities, details of which have been disclosed in the announcement of the Company dated 15 February 2011. Pursuant to the Investment Agreement, the relevant PRC governmental authority shall deliver the Land to the Group within six months from the execution of the Investment Agreement. Nevertheless, notwithstanding continual discussion and negotiation by the Group with the PRC government authority, the Land has not been delivered to the Group up to the date of this interim report and the Group considered that it is possible that the transaction contemplated under the Investment Agreement may not be completed. The Group is currently reviewing the situation and will issue announcement(s) to inform shareholders of any latest development, as and when appropriate in accordance with the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). On the other hand, in view of the uncertainty surrounding the global economy, the Group is considering to postpone our investment in the synthetic leather production facilities.

Enhancing R&D and improving product quality

In respect of R&D, the Group plans to further enhance the technical level and product quality by focusing on the following aspects:

(1) The concept of PM2.5 and fume and dust filtration technologies: providing technical renovation solutions for the existing oil coal-fired boilers and steam coal-fired boilers in plants with heavy pollution, such as steel plants, cement plants, waste incineration plants, by replacing the conventional water film scrubber with advanced bag-type dust collector to meet the environmental requirement of PM2.5 emission, in order to minimize or even eliminate the emission of particle pollutions.

(2) Oil absorbents and related products: the Technology Centre of the Group has kicked off a new project - Applied Technologies of Adsorbing and Recycling the Toxic and Hazardous Organic by Modified Recycled Polyester Staple Fibre, i.e. modify the PET chips into highly absorptive fibre materials to replace the traditional petroleum products - polypropylene oil absorbing materials. The product can be widely used in oil recovery for emergent marine oil spill incidents, so as to broaden the application scope of recycled polyester staple fibre, realizing higher economic value.

(3) Renewable fibre composite materials for architecture: replacing the conventional wood clapboard with composite resin products made from the recycled polyester fibre non-woven materials, which are fire-resistant, soundproof and recyclable, so as to reduce timber harvesting.

(4) Recovery and recycling technology for fibre waste and useless textile and clothing: scrap fibres and scraps made from fibres can be recycled through classifying and non-woven technologies, developing textiles for industrial use aside from health care related products and ensuring the product quality and functions.

Management Discussion and Analysis

BUSINESS REVIEW (CONTINUED)

Enhancing R&D and improving product quality (Continued)

(5) Recovery and recycling technology for materials used in bag-type dust collector: bag-type dust collector technology is the most effective purification method for high-temperature waste currently. However, the use of high-temperature filter bag may lead to secondary pollution. By applying the recovery and recycling technology to materials used in bag-type dust collector, the filtration bags can be recycled through classification and the secondary pollution issue can be solved by producing thermal resistant wall insulation materials with non-woven technology.

FINANCIAL REVIEW

For the period ended 30 June 2012, the Group remained a steady growth in turnover of approximately 2.3% up to approximately RMB665.7 million but profit attributable to owners of the Company decreased by approximately 20.7% to approximately RMB102.1 million.

Turnover

Turnover for the period ended 30 June 2012 was approximately RMB665.7 million, representing an increase of approximately 2.3% or approximately RMB15.0 million over the corresponding period of last year.

Turnover of non-woven materials for the period ended 30 June 2012 was approximately RMB552.1 million, representing an increase of approximately 8.6% or approximately RMB43.8 million from the same period of last year. Turnover of recycled chemical fibres was approximately RMB110.3 million, representing a decrease of approximately 22.2% or approximately RMB31.5 million from the same period of last year. Turnover of thermal resistant filtration materials was approximately RMB2.0 million (Six months ended 30 June 2011: Nil) for the period.

During the six months ended 30 June 2012, export sales to Hong Kong and overseas market accounted for approximately 21.7% (Six months ended 30 June 2011: 32.0%) of the Group's turnover while sales in the PRC (except Hong Kong) accounted for approximately 78.3% (Six months ended 30 June 2011: 68.0%).

During the six months ended 30 June 2012, the Group sold approximately 44.8 million yards of non-woven materials, representing an increase of approximately 2.8% from the same period of last year, but its sales of recycled chemical fibres dropped to approximately 11,800 tons, representing a decrease of approximately 19.2% from the same period of last year. The decrease in sales of recycled chemical fibres was a result of stagnant economy which caused a temporary decrease in the demand of recycled chemical fibres. The Group sold approximately 67,000 sq.m. of thermal resistant filtration materials during the period (Six months ended 30 June 2011: Nil).

Gross profit and gross profit margin

For the six months ended 30 June 2012, gross profit was approximately RMB198.9 million, representing a decrease of approximately 2.3% or approximately RMB4.6 million as compared with the same period in 2011. The decrease in gross profit was mainly driven by the decrease in selling price of recycled chemical fibres and the loss incurred by the thermal resistant filtration materials segment. The gross profit for the non-woven materials segment accounted for approximately 90.8% of the total gross profit during the six months ended 30 June 2012 (Six months ended 30 June 2011: 82.3%). The gross profit for the recycled chemical fibres segment accounted for approximately 12.1% of the total gross profit during the six months ended 30 June 2012 (Six months ended 30 June 2011: 17.7%).

Management Discussion and Analysis

FINANCIAL REVIEW (CONTINUED)

Gross profit and gross profit margin (Continued)

The overall gross profit margin of the Group was approximately 29.9%, representing a decrease of 1.4 percentage points as compared to the same period of last year. The gross profit margin for non-woven materials segment slightly decreased from approximately 32.9% for the six months ended 30 June 2011 to approximately 32.7% for the six months ended 30 June 2012. As for the recycled chemical fibres segment, its gross profit margin was approximately 21.8% for the six months ended 30 June 2012, representing a decrease of approximately 3.6 percentage points as compared to the same period of last year. The decrease in gross profit margin for recycled chemical fibres was contributed by the decrease in selling price of the products. The thermal resistant filtration materials has incurred a segment loss of approximately RMB5.9 million during the period which also contributed to the overall decrease in gross profit margin for the Group. As the Group has recently increased the selling price of recycled chemical fibres and the thermal resistant filtration materials segment will become more cost efficient in the second half of the year, it is expected that the overall gross profit margin of the Group for the full year will improve as compared with the first half of 2012.

Distribution expenses

For the six months ended 30 June 2012, distribution expenses increased by approximately RMB4.5 million as compared to the same period in 2011. Distribution expenses accounted for approximately 1.7% of the Group's turnover for the six months ended 30 June 2012 (Six months ended 30 June 2011: 1.0%). The increase in distribution expenses was mainly due to the increase in logistics and transportation expenses for goods and raw materials during the six months ended 30 June 2012.

Administrative expenses

Administrative expenses for the six months ended 30 June 2012 had a slightly decrease by approximately RMB0.2 million as compared to the same period in 2011. The administrative expenses accounted for approximately 6.2% of the Group's turnover for the six months ended 30 June 2012 (Six months ended 30 June 2011: 6.4%), which remained almost unchanged from the first half of last year.

Finance costs

Finance costs for the six months ended 30 June 2012 increased by approximately RMB16.9 million as compared to the same period in 2011. The increase in finance costs was mainly due to the issue of convertible bond at an amount of US$30 million by the Group in July 2011 to CITIC Capital China Access Fund Limited ("CITIC Capital"), which increased the finance costs for the six months ended 30 June 2012 under review by approximately RMB12.0 million. Excluding the finance costs arising from such convertible bond, the percentage of finance costs to Group's turnover has slightly increased to approximately 1.7% for the six months ended 30 June 2012 (Six months ended 30 June 2011: 1.0%).

Income tax expense

The Group's effective income tax rate for the six months ended 30 June 2012 was approximately 21.1%, as compared with approximately 18.7% for the corresponding period in 2011. The increase in the effective income tax rate was mainly resulted from the non-deductibility of the convertible bond interest incurred during the period.

Management Discussion and Analysis

FINANCIAL REVIEW (CONTINUED)

Profit attributable to owners of the Company and net profit margin

Profit attributable to owners of the Company for the six months ended 30 June 2012 was approximately RMB102.1 million, representing a decrease of approximately 20.7% or approximately RMB26.7 million as compared with the first half of 2011. The Group's net profit margin for the six months ended 30 June 2012 was approximately 15.3%, representing a decrease of 4.5 percentage points as compared with the corresponding period of last year. The decrease in net profit margin was mainly due to a decrease in gross profit and increases in distribution expenses and finance costs. As the Group has recently increased the selling price of recycled chemical fibres and the thermal resistant filtration materials segment will become more cost efficient in the second half of the year, it is expected that the net profit margin for the full year will be higher than that of the first half of 2012.

Earnings per share

The Group's basic earnings per share for the six months ended 30 June 2012 was approximately RMB13.16 cents, representing a decrease of approximately 18.3% as compared with the same period in 2011, which was due to a decrease in profit attributable to owners of the Company for the period.

The effect of potential ordinary shares in respect of convertible bond is anti-dilutive for the period ended 30 June 2012 (Six months ended 30 June 2011: The Company did not have any convertible bond).

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary sharing in respect of share options for the periods ended 30 June 2011 and 2012.

Liquidity and financial resources

The Company's shares were listed on the Stock Exchange on 21 June 2010 and the net proceeds of the global offering was approximately HK$439.8 million after deducting related underwriting fees and other expenses. The proceeds were applied in accordance with the proposed applications set out in the Company's prospectus dated 8 June 2010. As at the date of this interim report, the Group already used approximately HK$162.7 million of the net proceeds for establishment of the filtrating materials production facilities and approximately HK$19.7 million for the expansion of its existing technology centre and the establishment of a research centre for new materials and approximately HK$10.1 million for the construction of ancillary facilities. In addition, approximately HK$40.0 million was used as the Group's general working capital. The Group has deposited the remaining unused proceeds in licensed banks in Hong Kong and the PRC.

In July 2011, the Company completed the issue of the convertible bond with an aggregate principal amount of US$30 million to CITIC Capital and raised approximately HK$233.8 million in net proceeds. Such proceeds were applied in the capital expenditure and working capital of the Group. As at the date of this interim report, all proceeds were applied as the general working capital of the Group.

The Group generally finances its operations with internally generated cash flow and facilities provided by its principal bankers in Hong Kong and the PRC. The Group had bank and cash balances of approximately RMB853.5 million (31 December 2011: RMB844.5 million), non-pledged bank deposits with more than three months to maturity of approximately RMB2.5 million (31 December 2011: Nil), and pledged bank deposits of approximately RMB59.2 million (31 December 2011: RMB20.7 million) as at 30 June 2012. The Group's bank and cash balances were mostly held in Hong Kong dollar and Renminbi.

Management Discussion and Analysis

FINANCIAL REVIEW (CONTINUED)

Liquidity and financial resources (Continued)

As the Group conducts business transactions principally in Renminbi and US dollars, management considered that the Group's exposure to exchange rate risk at the operational level is not significant. Accordingly, the Group had not used any financial instruments for hedging purposes during the six months ended 30 June 2012. Nevertheless, management will continue to monitor its foreign exchange exposure and is prepared to take prudent measures such as hedging when appropriate actions are required.

As at 30 June 2012, the Group's bank loans amounted to approximately RMB387.6 million (31 December 2011: RMB352.8 million), of which 83.6% (31 December 2011: 79.3%) was repayable within one year. The Group's bank loans were made in US dollars and Renminbi, whilst approximately 61.5% (31 December 2011: 43.8%) of such bank loans bore interest at fixed lending rate. As at 30 June 2012, the Group's gearing ratio was approximately 31.2% calculated as bank loans plus convertible bond divided by total assets (31 December 2011: 31.3%). Net current assets and net assets as at 30 June 2012 were approximately RMB911.0 million (31 December 2011: RMB863.9 million) and approximately RMB1,088.3 million (31 December 2011: RMB1,020.8 million), respectively.

As at 30 June 2012, certain prepaid land lease payments, buildings and investment properties of the Group with carrying values of approximately RMB54.4 million (31 December 2011: RMB37.3 million), RMB51.9 million (31 December 2011: RMB12.6 million) and RMB14.8 million (31 December 2011: RMB18.6 million), respectively, were pledged to secure general banking facilities granted to the Group.

As at 30 June 2012, the Group did not have any contingent liabilities (31 December 2011: Nil).

Significant investments and acquisitions

During the six months ended 30 June 2012, the Group acquired property, plant and equipment and incurred costs for construction in progress of approximately RMB23.2 million and RMB24.7 million (Six months ended 30 June 2011: approximately RMB12.7 million and RMB146.7 million), respectively.

PROSPECTS

The industrialization of China brings air pollution and water contamination. And people are paying increasing attention to environmental protection as the living standard rising constantly. Pollution indicators represented by PM2.5 also garner much attention. The PRC Government has made a lot of efforts in this regard with a series of policies being introduced. Following the Emission Standard of Air Pollutants for Thermal Power Plants issued in September 2011, the Government issued Ambient Air Quality Standards on 2 March 2012 and The Emission Targets for Eight Pollutants in Steel Industry on 6 June 2012. Against this backdrop, we believe that the demand for dust collector and filtration materials will surge in industries like power generation, cement and building materials. Such increasing demand will further drive demand for thermal resistant filtration material products of the Group which were put into production at the end of last year.

The implementation of the National 12th Five-Year Plan will significantly boost domestic demand and push forward the green economy. Therefore, the Group believes that dust collector and filtration materials for industrial use hold bright prospects. The Group will intensify the investment in high-end filtration products for environmental protection, and seize the high-end market for dust collector and filtration materials in the PRC. In addition, the Group will create a series of brand new products that can be recovered and recycled and plan to turn the scrap of thermal resistant filtration materials into new environmental-friendly building materials. The management of the Group believes that the new technology will enable the Group to explore new markets and lower production costs effectively, and is also in compliance with the national policies that encourage green economy and circular economy, thus achieving better results in energy conservation and emission reduction.

Other Information

EMPLOYMENT, TRAINING AND DEVELOPMENT

As at 30 June 2012, the Group had a total of 921 employees (31 December 2011: 796). The Group always maintains cordial working relationships with its employees and commits to the provision of excellent training and development opportunities for its staff. The Group's remuneration packages are maintained at a competitive level and are reviewed periodically. Bonus and share options are also granted to employees according to their respective performance, appraisals and industry practices. The share option scheme (the "Share Option Scheme") was adopted by the Company on 12 May 2010. No share options have been granted by the Company pursuant to the Share Option Scheme during the six months ended 30 June 2012. As at 30 June 2012, 12,860,000 share options remained outstanding and 370,000 share options have been lapsed during the reporting period.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

On 27 August 2012, the board (the "Board") of directors (the "Director(s)") has resolved to pay an interim dividend of HK3.5 cents per share to the shareholders of the Company (the "Shareholders") as recorded on the register of members of the Company on Friday, 21 September 2012. The interim dividend will be paid to the Shareholders on or about Thursday, 27 September 2012.

The register of members of the Company will be closed from Tuesday, 18 September 2012 to Friday, 21 September 2012, 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 Monday, 17 September 2012.

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

As at 30 June 2012, 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 Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Other Information

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

(i) Interests and short positions in the Shares

Name of Director	Capacity	Number of shares	Approximate percentage of issued shares
Chim Wai Kong	Settlor of trust *(Note 1)*	194,840,000 (L)	25.09%
	Beneficiary of trust *(Note 2)*	74,039,200 (L)	9.54%
	Interests of controlled corporation *(Note 3)*	1,940,000 (L)	0.25%
	Beneficial owner *(Note 4)*	290,000 (L)	0.04%
Chim Wai Shing Jackson	Settlor of trust *(Note 1)*	194,840,000 (L)	25.09%
	Beneficiary of trust *(Note 5)*	52,606,800 (L)	6.78%
	Beneficial owner *(Note 6)*	230,000 (L)	0.03%
Zhu Min Ru	Beneficial owner *(Note 7)*	200,000 (L)	0.03%
Feng Xue Ben	Beneficial owner *(Note 8)*	200,000 (L)	0.03%

Notes:

1. *194,840,000 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 ("JMJ") as a nominee in favour of Coutts & Co Trustees (Switzerland) Ltd. ("Coutts") (formerly known as RBS Coutts Trustees (Switzerland) Ltd.). JMJ is a company incorporated in the British Virgin Islands ("BVI") provided by Coutts for the purpose of establishing the Nian's Brother Trust. Coutts 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 and is deemed to be interested in 74,039,200 Shares directly held by Nian's Holding.*

3. *1,940,000 Shares are held by Better Prospect Limited ("Better Prospect") which is 100% owned by Chim Wai Kong. He is therefore deemed to be interested in the 1,940,000 Shares held by Better Prospect. Chim Wai Kong is a director of Better Prospect.*

4. *Chim Wai Kong is also taken to be interested as a grantee of share options to subscribe for 290,000 Shares at an exercise price of HK$7.12 per Share under the Share Option Scheme.*

5. *Chim Wai Shing Jackson is also one of the beneficiaries of the Nian's Brother Trust and is deemed to be interested in 52,606,800 Shares directly held by Nian's Holding.*

6. *Chim Wai Shing Jackson is also taken to be interested as a grantee of share options to subscribe for 230,000 Shares at an exercise price of HK$7.12 per Share under the Share Option Scheme.*

7. *Zhu Min Ru is taken to be interested as a grantee of share options to subscribe for 200,000 Shares at an exercise price of HK$7.12 per Share under the Share Option Scheme.*

8. *Feng Xue Ben is taken to be interested as a grantee of share options to subscribe for 200,000 Shares at an exercise price of HK$7.12 per Share under the Share Option Scheme.*

Other Information

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

(ii) Long position in the shares of associated corporations of the Company

(a) Nian's Holding (Note 1)

Name of Director	Capacity	Number of shares held in associated corporation	Approximate percentage of issued share capital of the associated corporation
Chim Wai Kong	Settlor of trust *(Note 2)*	5,760	100%
	Beneficiary of trust *(Note 3)*	2,189	38%
Chim Wai Shing Jackson	Settlor of trust *(Note 2)*	5,760	100%
	Beneficiary of trust *(Note 4)*	1,555	27%

Notes:

1. *Nian's Holding is the beneficial owner of 25.09% of the shareholding of the Company.*

2. *The entire interest of Nian's Holding is wholly owned by Nian's Investment, whose only issued share in turn is held by JMJ as a nominee in favour of Coutts for the purpose of establishing the Nian's Brother Trust. Coutts 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. Each of Chim Wai Kong and Chim Wai Shing Jackson is therefore deemed to be interested in the entire issued capital of Nian's Holding as the settlor of the Nian's Brother Trust.*

3. *Chim Wai Kong is also one of the beneficiaries of the Nian's Brother Trust and is deemed to be interested in 2,189 shares of Nian's Holding.*

4. *Chim Wai Shing Jackson is also one of the beneficiaries of the Nian's Brother Trust and is deemed to be interested in 1,555 shares of Nian's Holding.*

Other Information

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

(ii) Long position in the shares of associated corporations of the Company (Continued)

(b) Nian's Investment (Note 1)

Name of Director	Capacity	Number of shares held in associated corporation	Approximate percentage of issued share capital of the associated corporation
Chim Wai Kong	Settlor of trust *(Note 2)*	1	100%
	Beneficiary of trust *(Note 3)*	0.38	38%
Chim Wai Shing Jackson	Settlor of trust *(Note 2)*	1	100%
	Beneficiary of trust *(Note 4)*	0.27	27%

Notes:

1. *Nian's Investment is the holding company of Nian's Holding, which in turn holds 25.09% shareholding in the Company.*

2. *The entire interest of Nian's Investment is held by JMJ as a nominee in favour of Coutts for the purpose of establishing the Nian's Brother Trust. Coutts 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. Each of Chim Wai Kong and Chim Wai Shing Jackson is therefore deemed to be interested in the entire issued capital of Nian's Investment as the settlor of the Nian's Brother Trust.*

3. *Chim Wai Kong is also one of the beneficiaries of the Nian's Brother Trust and is deemed to be interested in 0.38 share of Nian's Investment.*

4. *Chim Wai Shing Jackson is also one of the beneficiaries of the Nian's Brother Trust and is deemed to be interested in 0.27 share of Nian's Investment.*

Save as disclosed above, as at 30 June 2012, 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 Model Code contained in the Listing Rules to be notified to the Company and the Stock Exchange.

Other Information

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the table showing movement in outstanding share options on page 16 of this report, at no time during the six months ended 30 June 2012 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.

SHARE OPTION SCHEME

The Company adopted a Share Option Scheme which became effective on 12 May 2010. Pursuant to the Share Option Scheme, the Directors may, at their discretion, invite any eligible employees (including executive Directors), any non-executive Directors, Shareholders, suppliers and customers of the Group and any other parties having contributed or may contribute to the development of the Group to take up options to subscribe for the Shares. The subscription price shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares on the date of the offer; (ii) the average closing price of the Shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Share.

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme must not exceed 30% of the total issued share capital of the Company from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not in aggregate exceed 10% of the total number of Shares in issue as at the date of commencement of the Listing of the Shares on the Stock Exchange. The Company may seek approval of the Shareholders in general meeting for refreshing the 10% limit under the Share Option Scheme save that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme under the limit as refreshed shall not exceed 10% of the total number of Shares in issue as at the date of approval of the limit.

The total number of Shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of Shares in issue. Where any further grant of options to a participant would result in the total number of Shares issued and to be issued upon exercise of all the options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the total number of Shares in issue, such further grant must be separately approved by the Shareholders in general meeting with such participant and his associates abstaining from voting.

No share options have been granted by the Company pursuant to the Share Option Scheme during the six months ended 30 June 2012.

Other Information

SHARE OPTION SCHEME (CONTINUED)

The following table discloses movements in the outstanding share options during the six months ended 30 June 2012:

		Number of share options					
Grantees	Exercise Price	as at 1 January 2012	Granted during the period	Exercised during the period	Lapsed during the period	as at 30 June 2012	Exercised period
Executive Directors							
Chim Wai Kong	HK$7.12	290,000	–	–	–	290,000	30 June 2011– 13 January 2021 *(Note 1)*
Chim Wai Shing Jackson	HK$7.12	230,000	–	–	–	230,000	30 June 2011 – 13 January 2021 *(Note 1)*
Chim Fo Che *(Note 3)*	HK$7.12	60,000	–	–	(60,000)	–	*(Note 3)*
Hong Ming Qu *(Note 4)*	HK$7.12	110,000	–	–	(110,000)	–	*(Note 4)*
Independent non-executives Directors							
Zhu Min Ru	HK$7.12	200,000	–	–	–	200,000	30 June 2011 – 13 January 2021 *(Note 1)*
Feng Xue Ben	HK$7.12	200,000	–	–	–	200,000	30 June 2011 – 13 January 2021 *(Note 1)*
Employees of the Group							
In aggregate	HK$7.12	10,300,000	–	–	(100,000)	10,200,000	30 June 2011 – 13 January 2021 *(Note 1)*
In aggregate	HK$7.12	1,840,000	–	–	(100,000)	1,740,000	31 December 2011 – 13 January 2021 *(Note 2)*
		13,230,000	–	–	(370,000)	12,860,000	

Notes:

1. *The options are subject to vesting schedules and exercise periods as follows:*

% of the options granted	*Vesting date*	*Exercised period*
25%	*30 June 2011*	*30 June 2011 – 13 January 2021*
25%	*30 June 2012*	*30 June 2012 – 13 January 2021*
25%	*30 June 2013*	*30 June 2013 – 13 January 2021*
25%	*30 June 2014*	*30 June 2014 – 13 January 2021*

2. *The options are subject to vesting schedules and exercise periods as follows:*

% of the options granted	*Vesting date*	*Exercised period*
25%	*31 December 2011*	*31 December 2011 – 13 January 2021*
25%	*31 December 2012*	*31 December 2012 – 13 January 2021*
25%	*31 December 2013*	*31 December 2013 – 13 January 2021*
25%	*31 December 2014*	*31 December 2014 – 13 January 2021*

3. *Mr. Chim Fo Che ceased to be an executive Director with effect from 25 April 2012. All options granted to Mr. Chim which had been vested before 25 April 2012 were unexercised and became lapsed on 25 April 2012.*

4. *Mr. Hong Ming Qu ceased to be an executive Director with effect from 25 April 2012. All options granted to Mr. Hong which had been vested before 25 April 2012 were unexercised and became lapsed on 25 April 2012.*

Other Information

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 2012, 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
Hong Kong Rong An	Beneficial owner *(Note 1)*	225,160,000 (L)	29.00%
CECEP Chongqing	Interest of controlled corporation *(Note 1)*	225,160,000 (L)	29.00%
CECEP	Interest of controlled corporation *(Note 1)*	225,160,000 (L)	29.00%
Nian's Holding	Beneficial owner *(Note 2)*	194,840,000 (L)	25.09%
Nian's Investment	Interest of controlled corporation *(Note 2)*	194,840,000 (L)	25.09%
JMJ	Interest of controlled corporation *(Note 3)*	194,840,000 (L)	25.09%
Coutts	Trustee *(Note 3)*	194,840,000 (L)	25.09%
Headwell	Beneficial owner *(Note 4)*	69,000,000 (L)	8.89%
Modern Creative	Interest of controlled corporation *(Note 4)*	69,000,000 (L)	8.89%
Liu Shu Fa	Interest of controlled corporation and family interest *(Note 4)*	69,000,000 (L)	8.89%
Wang Juan	Interest of controlled corporation and family interest *(Note 4)*	69,000,000 (L)	8.89%
Gerfalcon Holding	Beneficial owner *(Note 5)*	60,000,000 (L)	7.73%
Hui Cheung Mau	Interest of controlled corporation *(Note 5)*	60,000,000 (L)	7.73%
Sze Fo Chau	Interest of controlled corporation *(Note 5)*	60,000,000 (L)	7.73%
CITIC Capital	Beneficial owner *(Note 6)*	45,320,388 (L)	5.84%
CITIC Capital Holdings	Interest of controlled corporation *(Note 6)*	45,320,388 (L)	5.84%
CITIC Limited	Interest of controlled corporation *(Note 6)*	45,320,388 (L)	5.84%

(L): Long Position

Notes:

1. *Hong Kong (Rong An) Investment Limited ("Hong Kong Rong An") is a wholly-owned subsidiary of CECEP Chongqing which is owned as to 83.36% by CECEP. For the purpose of Part XV of the SFO, CECEP Chongqing and CECEP are therefore deemed to be interested in the Shares held by Hong Kong Rong An.*

2. *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.*

3. *The entire interest of Nian's Investment is held by JMJ as a nominee in favour of Coutts for the purpose of establishing the Nian's Brother Trust. Coutts is the trustee of Nian's Brother Trust. For the purpose of Part XV of the SFO, JMJ and Coutts are deemed to be interested in the Shares indirectly held by Nian's Investment.*

4. *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.*

5. *Gerfalcon Holding Limited ("Gerfalcon Holding") is owned by Hui Cheung Mau as to 50% and Sze Fo Chau as to 50%.*

6. *These 45,320,388 underlying shares represent the shares which may be issued upon full conversion of the convertible bond in a principal amount of US$30,000,000 issued to CITIC Capital. CITIC Capital is a wholly-owned subsidiary of CITIC Capital Investment Management (Cayman) Limited, which in turn is wholly-owned by CITIC Capital Asset Management Limited. CITIC Capital Asset Management Limited is a wholly-owned subsidiary of CITIC Capital Holdings Limited ("CITIC Capital Holdings") which is owned as to 55% by CITIC Limited. For the purpose of Part XV of the SFO, CITIC Capital Holdings and CITIC Limited are therefore deemed to be interested in the underlying shares in which CITIC Capital is interested.*

Other Information

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

Save as disclosed herein, the Directors are not aware of any person who was, as at 30 June 2012, 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 5% 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 2012, 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 complied with all applicable code provisions under the Code on Corporate Governance Practices (from 1 January 2012 to 31 March 2012) and the Corporate Governance Code (from 1 April 2012 to 30 June 2012), as set out in Appendix 14 of the Listing Rules, throughout the six months ended 30 June 2012.

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, all the Directors confirmed that they had complied with the required standards as set out in the Code throughout the six months ended 30 June 2012.

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 Mr. Feng Xue Ben (independent non-executive Director).

The Group's unaudited interim report for the six months ended 30 June 2012 has been reviewed by the Audit Committee, who is 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 2012 have also been reviewed by RSM Nelson Wheeler, the auditor 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 19 of this interim report.

By order of the Board
CECEP COSTIN New Materials Group Limited

Chim Wai Kong
Co-Chairman
Hong Kong, 27 August 2012

Independent
Review Report

TO THE BOARD OF DIRECTORS OF
CECEP COSTIN NEW MATERIALS GROUP LIMITED
(FORMERLY KNOWN AS 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 20 to 34 which comprises the condensed consolidated statement of financial position of CECEP COSTIN New Materials Group Limited (formerly known as COSTIN New Materials Group Limited) (the "Company") and its subsidiaries (collectively referred as the "Group") as at 30 June 2012 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 2012

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

	Note	Six months ended 30 June 2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Turnover	3	**665,735**	650,733
Cost of goods sold		**(466,846)**	(447,233)
Gross profit		**198,889**	203,500
Other income		**6,038**	9,316
Distribution expenses		**(11,240)**	(6,722)
Administrative expenses		**(41,119)**	(41,329)
Profit from operations		**152,568**	164,765
Finance costs	4	**(23,174)**	(6,248)
Profit before tax		**129,394**	158,517
Income tax expense	5	**(27,253)**	(29,639)
Profit for the period attributable to owners of the Company	6	**102,141**	128,878
Other comprehensive income for the period, net of tax			
Exchange differences on translating foreign operations		**163**	(3,646)
Total comprehensive income for the period attributable to owners of the Company		**102,304**	125,232
Earnings per share	8		
Basic		**RMB13.16 cents**	RMB16.11 cents

Condensed Consolidated Statement of Financial Position

At 30 June 2012

	Note	At 30 June 2012 RMB'000 (unaudited)	At 31 December 2011 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	9	**398,114**	399,534
Construction in progress	9	**43,708**	30,962
Investment properties		**14,785**	18,630
Prepayments for acquisition of property, plant and equipment		**24,083**	6,260
		480,690	455,386
Current assets			
Inventories		**177,037**	82,368
Trade and bills receivables	10	**302,390**	302,017
Prepayments, deposits and other receivables		**13,460**	38,389
Pledged bank deposits		**59,181**	20,704
Non-pledged bank deposits with more than three months to maturity		**2,482**	–
Bank and cash balances		**853,489**	844,541
		1,408,039	1,288,019
Current liabilities			
Trade and bills payables	11	**116,195**	93,314
Accruals and other payables		**44,021**	42,938
Bank loans		**324,107**	279,748
Finance lease payable		**171**	165
Current tax liabilities		**12,527**	7,960
		497,021	424,125
Net current assets		**911,018**	863,894
Total assets less current liabilities		**1,391,708**	1,319,280
Non-current liabilities			
Bank loans		**63,464**	73,034
Finance lease payable		**279**	364
Convertible bond	12	**201,964**	193,007
Deferred tax liabilities		**37,663**	32,040
		303,370	298,445
NET ASSETS		**1,088,338**	1,020,835
Capital and reserves			
Share capital	13	**68,475**	68,475
Reserves		**1,019,863**	952,360
TOTAL EQUITY		**1,088,338**	1,020,835

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

	(Unaudited)									
	Share capital RMB'000	Share premium account RMB'000	Share-based payment reserve RMB'000	Convertible bond reserve RMB'000	Foreign currency translation reserve RMB'000	Statutory reserve RMB'000	Capital reserve RMB'000	Merger reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2011	70,400	316,616	–	–	(8,265)	76,388	20,934	79,974	348,181	904,228
Total comprehensive income for the period	–	–	–	–	(3,646)	–	–	–	128,878	125,232
Share-based payments	–	–	9,316	–	–	–	–	–	–	9,316
Dividends paid (note 7)	–	–	–	–	–	–	–	–	(43,753)	(43,753)
Changes in equity for the period	–	–	9,316	–	(3,646)	–	–	–	85,125	90,795
At 30 June 2011	70,400	316,616	9,316	–	(11,911)	76,388	20,934	79,974	433,306	995,023
At 1 January 2012	**68,475**	**240,477**	**13,379**	**3,068**	**(14,443)**	**137,329**	**20,934**	**79,974**	**471,642**	**1,020,835**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**163**	**–**	**–**	**–**	**102,141**	**102,304**
Share-based payments	**–**	**–**	**6,206**	**–**	**–**	**–**	**–**	**–**	**–**	**6,206**
Lapse of share options granted in prior years	**–**	**–**	**(179)**	**–**	**–**	**–**	**–**	**–**	**179**	**–**
Dividends paid (note 7)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(41,007)**	**(41,007)**
Changes in equity for the period	**–**	**–**	**6,027**	**–**	**163**	**–**	**–**	**–**	**61,313**	**67,503**
At 30 June 2012	**68,475**	**240,477**	**19,406**	**3,068**	**(14,280)**	**137,329**	**20,934**	**79,974**	**532,955**	**1,088,338**

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	*2011*
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
NET CASH GENERATED FROM OPERATING ACTIVITIES	**96,897**	51,728
NET CASH USED IN INVESTING ACTIVITIES	**(82,506)**	(86,785)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	**(6,914)**	9,401
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**7,477**	(25,656)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**844,541**	527,842
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**1,471**	(1,796)
CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY	**853,489**	500,390
Bank and cash balances	**853,489**	500,390

Notes to the Condensed Financial Statements

For the six months ended 30 June 2012

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 2011 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2011.

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 2012. IFRSs comprise International Financial Reporting Standards; International Accounting Standards; 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.

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.

Notes to the Condensed Financial Statements

For the six months ended 30 June 2012

3. SEGMENT INFORMATION

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

	Non-woven materials RMB'000 (unaudited)	Recycled chemical fibres RMB'000 (unaudited)	Thermal resistant filtration materials RMB'000 (unaudited)	Others RMB'000 (unaudited)	Total RMB'000 (unaudited)
6 months ended 30 June 2012:					
Revenue from external customers	552,114	110,311	1,965	1,345	665,735
Intersegment revenue	91	1,599	–	–	1,690
Segment profit/(loss)	180,628	24,062	(5,873)	72	198,889
At 30 June 2012:					
Segment assets	172,553	123,143	157,665	4,985	458,346

	Non-woven materials RMB'000 (unaudited)	Recycled chemical fibres RMB'000 (unaudited)	Thermal resistant filtration materials RMB'000 (unaudited)	Others RMB'000 (unaudited)	Total RMB'000 (unaudited)
6 months ended 30 June 2011:					
Revenue from external customers	508,356	141,842	–	535	650,733
Intersegment revenue	–	2,126	–	–	2,126
Segment profit/(loss)	167,469	36,032	–	(1)	203,500
	(audited)	(audited)	(audited)	(audited)	(audited)
At 31 December 2011:					
Segment assets	157,360	65,020	142,366	4,846	369,592

Notes to the Condensed Financial Statements

For the six months ended 30 June 2012

3. SEGMENT INFORMATION (CONTINUED)

(b) Reconciliations of segment profit or loss:

	Six months ended 30 June	
	2012	*2011*
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Total profit or loss of reportable segments	**198,889**	203,500
Unallocated amounts:		
Other income	**6,038**	9,316
Distribution expenses	**(11,240)**	(6,722)
Administrative expenses	**(41,119)**	(41,329)
Finance costs	**(23,174)**	(6,248)
Consolidated profit before tax	**129,394**	158,517

4. FINANCE COSTS

	Six months ended 30 June	
	2012	*2011*
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Finance lease charges	**16**	22
Interest expense on bank loans	**11,130**	6,226
Interest expense on convertible bond-wholly payable within five years	**12,028**	–
	23,174	6,248

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2012	*2011*
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Current tax – the People's Republic of China ("PRC") enterprise income tax ("PRC EIT")	**21,630**	26,511
Deferred tax	**5,623**	3,128
	27,253	29,639

The new PRC EIT law (the "New Tax Law") passed by the Tenth National People's Congress on 16 March 2007 introduces various changes which include the unification of the enterprise income tax rate for domestic and foreign enterprises at 25%. The New Tax Law was effective from 1 January 2008.

Notes to the Condensed Financial Statements

For the six months ended 30 June 2012

5. INCOME TAX EXPENSE (CONTINUED)

On 26 October 2009, Xinhua Share Co., Ltd. Fujian ("Xinhua Co.") was recognised as an advanced technology enterprise (高新技術企業) 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.

On 11 January 2012, Xinhua Co. was recognised as a comprehensive resources utilisation enterprise (資源綜合利用企業) and is entitled to enjoy an income tax concession for exemption of 10% of the turnover from recycled chemical fibres.

No provision for PRC EIT is required for other subsidiaries of the Company established and registered in the PRC since they have no assessable profits during the periods ended 30 June 2011 and 2012.

No provision for Hong Kong Profits Tax is required for the subsidiaries of the Company incorporated in Hong Kong since they have no assessable profits for the periods ended 30 June 2011 and 2012.

6. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2012	*2011*
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Gain on disposals of property, plant and equipment	**(49)**	–
Government grants	**(2)**	(4,817)
Interest income	**(4,345)**	(2,605)
Rental income	**(1,483)**	(1,809)
Cost of inventories sold	**466,846**	447,233
Depreciation of property, plant and equipment	**21,731**	12,361
Depreciation of investment properties	**518**	639
Directors' remuneration		
Salaries, bonus and allowances	**1,938**	1,762
Retirement benefit scheme contributions	**13**	15
Equity-settled share-based payments	**209**	904
	2,160	2,681
Net exchange loss	**489**	27
Operating leases charges in respect of land and buildings	**2,502**	2,284
Research and development expenditure	**1,181**	1,323
Staff costs (excluding directors' remuneration)		
Salaries, bonus and allowances	**20,489**	15,695
Retirement benefit scheme contributions	**247**	186
Equity-settled share-based payments	**5,997**	8,412
	26,733	24,293

Notes to the Condensed Financial Statements

For the six months ended 30 June 2012

7. DIVIDENDS

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Proposed interim dividend RMB2.9 cents (HK3.5 cents) (2011: RMB2.9 cents (HK3.5 cents)) per ordinary share	**22,179**	22,979
Final dividend for the year ended 31 December 2011 approved and paid – RMB5.3 cents (HK6.5 cents) (2010: RMB5.5 cents (HK6.5 cents)) per ordinary share	**41,007**	43,753
	63,186	66,732

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the following:

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings		
Profit attributable to owners of the Company, used in the basic earnings per share calculation	**102,141**	128,878
Number of shares		
Weighted average number of ordinary shares used in the basic earnings per share calculation	**776,422,000**	800,000,000

The effect of potential ordinary shares in respect of convertible bond is anti-dilutive for the period ended 30 June 2012 (Six months ended 30 June 2011: The Company did not have any convertible bond).

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary sharing in respect of share options for the periods ended 30 June 2011 and 2012.

9. PROPERTY, PLANT AND EQUIPMENT AND CONSTRUCTION IN PROGRESS

During the six months ended 30 June 2012, the Group acquired property, plant and equipment and incurred costs for construction in progress of approximately RMB23,215,000 and RMB24,654,000 respectively (Six months ended 30 June 2011: approximately RMB12,724,000 and RMB146,694,000 respectively).

Notes to the Condensed Financial Statements

For the six months ended 30 June 2012

10. TRADE AND BILLS RECEIVABLES

	At 30 June 2012 RMB'000 (unaudited)	At 31 December 2011 RMB'000 (audited)
Trade receivables	**275,317**	290,130
Bills receivables	**27,073**	11,887
	302,390	302,017

The Group normally allows credit terms to customers ranging from 30 to 100 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 2012 RMB'000 (unaudited)	At 31 December 2011 RMB'000 (audited)
0-30 days	**140,496**	159,719
31-60 days	**107,336**	80,115
61-90 days	**27,485**	50,294
91-120 days	**–**	2
	275,317	290,130

As at 30 June 2012, approximately RMB40,327,000 (31 December 2011: RMB58,769,000) of trade receivables were pledged to banks to secure short-term bank loans granted to the Group.

Notes to the Condensed Financial Statements

For the six months ended 30 June 2012

11. TRADE AND BILLS PAYABLES

	At 30 June 2012 RMB'000 (unaudited)	*At 31 December 2011 RMB'000 (audited)*
Trade payables	**99,099**	93,314
Bills payables	**17,096**	–
	116,195	93,314

The Group normally obtains credit terms ranging from 30 to 90 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 2012 RMB'000 (unaudited)	*At 31 December 2011 RMB'000 (audited)*
0-30 days	**62,362**	66,016
31-60 days	**30,012**	9,104
61-90 days	**5,930**	8,105
91-120 days	**221**	9,385
121-150 days	**37**	95
Over 150 days	**537**	609
	99,099	93,314

Notes to the Condensed Financial Statements

For the six months ended 30 June 2012

12. CONVERTIBLE BOND

On 18 July 2011, the Company issued 4% convertible bond due 2013 (the "Bond") to CITIC Capital China Access Fund Limited with an aggregate principal amount of US$30,000,000, equivalent to approximately RMB194,443,000 (HK$233,813,000).

The Bond can be converted into ordinary shares of HK$0.10 each in the share capital of the Company (the "Shares") at any time on the business day after the expiry of three months from the date of issuance of the Bond until the fifth business days before (and excluding) the second anniversary of the date of issuance of the Bond (the "Maturity Date") in multiples of US$15,000,000 at the initial conversion price of HK$5.15 (the "Conversion Price"), subject to adjustments.

There are no provisions allow the early redemption of the Bond. All of the outstanding Bond is to be redeemed on Maturity Date at 116.64% of the outstanding principal amount of the Bond.

Based on the initial Conversion Price, the Shares fall to be issued upon full conversion of the Bond will be 45,320,388 Shares (the "Conversion Shares"), representing approximately 5.67% of the current issued share capital of the Company and 5.36% of the issued share capital as enlarged by the issue of Conversion Shares.

The net proceeds received from the issue of the Bond have been split between the liability element and an equity component, as follows:

	RMB'000
Nominal value of the Bond issued	194,443
Equity component	(3,068)
Liability component at date of issue	191,375
Interest charged	10,862
Interest paid	(3,457)
Exchange differences	(5,773)
Liability component at 31 December 2011 (audited) and 1 January 2012	193,007
Interest charged	12,028
Interest paid	(3,767)
Exchange differences	696
Liability component at 30 June 2012 (unaudited)	201,964

Notes to the Condensed Financial Statements

For the six months ended 30 June 2012

13. SHARE CAPITAL

	Number of shares	Amount HK$	Amount as presented RMB
Authorised:			
Ordinary shares of HK$0.1 each			
At 1 January 2011, 31 December 2011, 1 January 2012 and 30 June 2012	2,000,000,000	200,000,000	176,000,000
Issued and fully paid:			
Ordinary shares of HK$0.1 each			
At 1 January 2011	800,000,000	80,000,000	70,400,000
Repurchase of shares *(note)*	(23,578,000)	(2,357,800)	(1,925,253)
At 31 December 2011 (audited), 1 January 2012 and 30 June 2012 (unaudited)	776,422,000	77,642,200	68,474,747

Note: During the year ended 31 December 2011, the Company repurchased on the market a total of 23,578,000 ordinary shares of the Company with an aggregate consideration of approximately RMB78,064,000 (HK$95,584,000). All of these shares were cancelled. The premium payable on repurchase of shares was charged to share premium account.

14. RELATED PARTY TRANSACTIONS

(a) In addition to those related party transactions and balances disclosed elsewhere in the condensed financial statements, the Group had the following transactions with its related parties during the period:

	Six months ended 30 June	
	2012	*2011*
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Rental income charged to a related company	**1,013**	1,339
Rental expenses charged by related companies	**1,120**	700

Notes to the Condensed Financial Statements

For the six months ended 30 June 2012

14. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Remuneration of key management personnel:

	Six months ended 30 June	
	2012	*2011*
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Salaries, bonus and allowances		
– Directors	**1,938**	1,762
– Senior management	**709**	302
Sub-total	**2,647**	2,064
Retirement benefit scheme contributions		
– Directors	**13**	15
– Senior management	**5**	5
Sub-total	**18**	20
Equity-settled share-based payments		
– Directors	**209**	904
– Senior management	**1,663**	2,836
Sub-total	**1,872**	3,740
Total	**4,537**	5,824

15. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2012 (31 December 2011: Nil).

Notes to the Condensed Financial Statements

For the six months ended 30 June 2012

16. CAPITAL COMMITMENTS

	At 30 June 2012 RMB'000 (unaudited)	At 31 December 2011 RMB'000 (audited)
Contracted but not provided for:		
Construction of buildings	7,713	23,680
Prepaid land lease payments	61,200	61,200
Purchase of property, plant and equipment	138	1,516
	69,051	86,396

17. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 27 August 2012.