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

2013
INTERIM REPORT

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 2228

中国节能
CHINA ENERGY CONSERVATION AND ENVIRONMENTAL PROTECTION GROUP

中國節能海東青
CECEP COSTIN GROUP

CONTENTS

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
Ms. Ma Yun *(appointed on 30 March 2013)*
Mr. Chen Bo *(appointed on 30 March 2013)*

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Zhu Min Ru
Mr. Feng Xue Ben
Mr. Wong Siu Hong
Ms. Xiong Ying *(appointed on 30 March 2013)*
Ms. Wu Xiaoqing *(appointed on 30 March 2013)*

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Appleby Trust (Cayman) Limited
Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

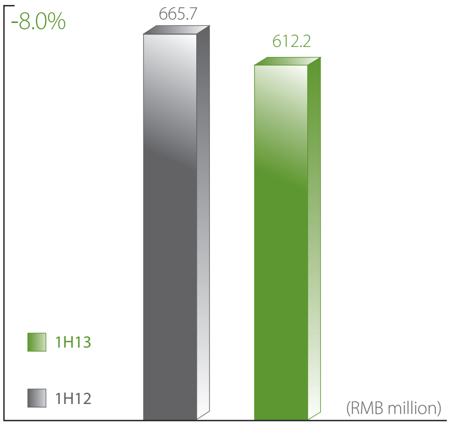
REGISTERED OFFICE
Scotia Centre, 4th Floor
P.O. Box 2804
George Town
Grand Cayman KY1-1112
Cayman Islands

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

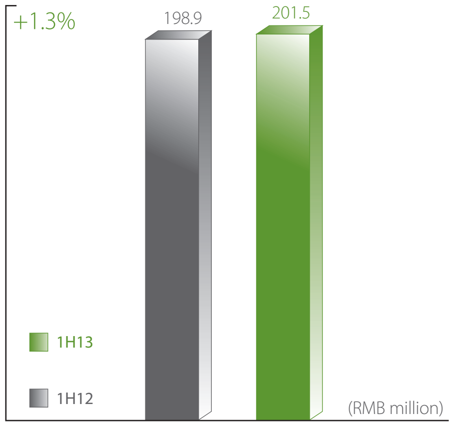
WEBSITE
www.costingroup.com

Results Highlights

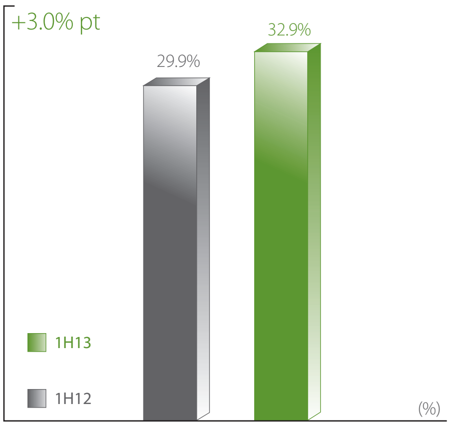
TURNOVER



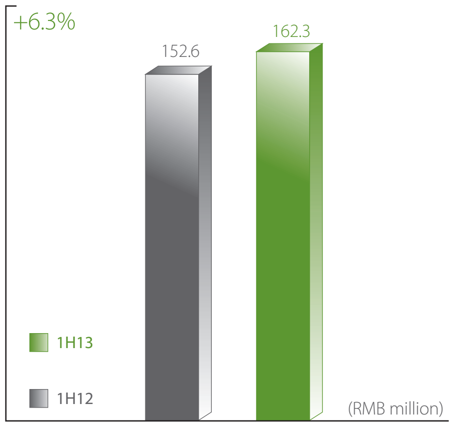
GROSS PROFIT



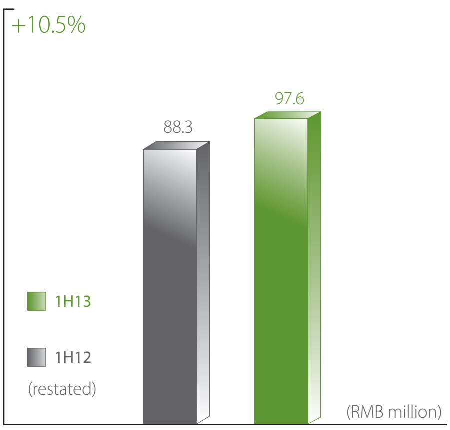
GROSS PROFIT MARGIN



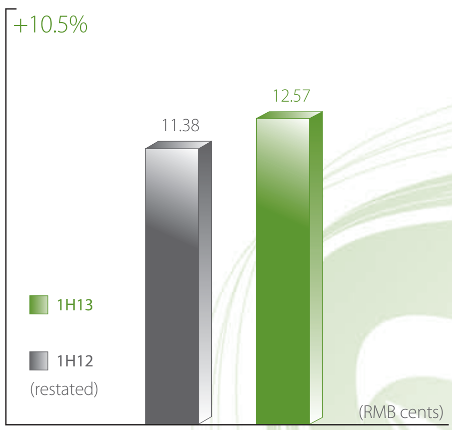
PROFIT FROM OPERATIONS



PROFIT FOR THE PERIOD



BASIC EARNINGS PER SHARE



Management Discussion and Analysis

BUSINESS REVIEW

In the context of slow global recovery in the first half of 2013, the People's Republic of China (the "PRC" or "China") geared down its economic momentum as evidenced by slower demand growths in industrial, manufacturing, retail and service sectors. Consumption upgrade and economic transformation have become keywords for China's economy. On the other hand, the industrialization process in the past decades also brought tremendous pressure on the environment, which has even become a hurdle to sustainable development of China's economy. Having realized the importance of environmental protection to its economic vision, the PRC government rolled out a string of policies in the previous year to demonstrate its environmental commitment. The environmental protection industry has become an integral element in the mission of "Ecological civilization and eco-friendly China" set forth by the 18th National Congress of the Communist Party of China. In addition to the formulation and implementation of regulations, the State Council put forward the "10 Measures on Prevention of Atmospheric Pollution" at an executive meeting on 14 June 2013, which confirmed the necessity to strengthen the national control over atmospheric pollution through incentives and restraints. The sales of thermal resistant filtration materials of CECEP COSTIN New Materials Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") continued to rise in the first half of 2013, the revenue of which has exceeded half of that for the whole year of 2012. The extensive application of the Group's non-woven materials and recycled chemical fibres as well as the solid customer base allowed us to effectively hedge from the impact of industrial volatility on our business results.

Non-woven materials with 3D engineering structure

As at 30 June 2013, the annual output capacity of the Group's non-woven materials with 3D engineering structure was approximately 103 million yards involving 17 stitch-bonded non-woven material production lines and 57 million yards involving 9 needle-punching non-woven material production lines, bringing the aggregate production capacity to approximately 160 million yards per annum. As certain sectors including construction and building materials suffered from the economic slowdown, during the six months ended 30 June 2013, the Group sold approximately 42.5 million yards of non-woven materials, representing a year-on-year drop of approximately 5.1% and resulting in a decrease of 9.4% in sales revenue from the same period in 2012. Due to the decrease in raw materials prices, the average selling price of non-woven materials fell by approximately 4.5% year-on-year. Nevertheless, thanks to our initiatives to expand sales and refine product mix, the higher-margin products posted higher sales volume and the gross profit margin of non-woven materials increased by 440 basis points year-on-year to 37.1%.

Recycled chemical fibres

As at 30 June 2013, the Group had 2 production lines of recycled chemical fibres with annual production capacity of approximately 42,000 tons, capable of handling approximately 53,000 tons of PET chips per annum. In the first half of 2013, sales volume, selling price and gross profit margin of the Group's recycled chemical fibres were affected to a certain extent as overall market demand for recycled chemical fibres was subdued with intense market competition and the price of main raw materials, PET chips, had increased by approximately 2.3% as compared with the corresponding period of 2012. In the first half of 2013, sales volume of the Group's recycled chemical fibres decreased by approximately 21.2% as compared with the corresponding period of last year to approximately 9,300 tons, revenue decreased by approximately 24.7% as compared with the corresponding period of last year, unit selling price decreased by approximately 4.4% and gross profit margin decreased by 50 basis points to 21.3%. By maintaining R&D investment and optimizing product mix, the Group will seek to stabilize selling price and gross profit margin while enhancing product performance to boost sales.

Management Discussion and Analysis

BUSINESS REVIEW (CONTINUED)

Thermal resistant filtration materials

In respect of thermal resistant filtration materials, the Group currently has 3 production lines with a production capacity of approximately 21 million sq.m. per annum. Through the aggressive marketing efforts in the past year, sales volume of thermal resistant filtration materials of the Group substantially increased year-on-year to approximately 629,000 sq.m., with turnover amounted to approximately RMB26.8 million. Meanwhile, selling prices of thermal resistant filtration materials and other products posted a significant increase of approximately 45.5% year-on-year due to the increased market recognition and the broadened sales channels. Despite the lack of profit contribution from the thermal resistant filtration materials business, the broadened sales outlets have paved the way to product sales and market development in the future. It is believed that the bag-type filtration material sector will keep the momentum in coming year as the PRC government raises the smoke and dust emission standards for pollutant-discharging industries.

Optimising marketing strategies and integrating the regional sales layout

In the first half of 2013, the Group continued to build up its 6 divisions in the hope of raising their professionalism for each targeted industry, better serving the market and customers with our products and services, and promoting sales of products.

In addition, the Group optimised the sales layout in the Greater China region by setting up various branch companies and representative offices, with a view to maintaining closer ties with our customers and increasing our market share. The Group stepped up the sales efforts for new materials. Progress was made through effectively tapping on the existing and newly established offices and sales agencies to reinforce market development. Meanwhile, the synergy between the Group and China Energy Conservation and Environmental Protection Group ("CECEP") began to take shape. On 6 March 2013, the Group entered into a framework sale agreement with CECEP for a term of 3 years, pursuant to which an annual cap of sale and supply should not exceed RMB150 million, RMB220 million and RMB260 million in 2013, 2014 and 2015, respectively.

Reinforcing the shareholder base

In June 2013, CECEP Chongqing Industry Co., Ltd. ("CQCECEP"), a subsidiary of CECEP, made a mandatory unconditional general offer to acquire the issued shares of the Company through Hong Kong (Rong An) Investment Limited ("Hong Kong Rong An"). The general offer was completed in August 2013, which will be conducive to strengthening the shareholder base of the Company.

Product R&D

In respect of R&D, the Group will continue to enhance its technological capabilities and strengths in science researches, improve the functions and technologies in non-woven materials and lower production costs through recycling and reducing pollutants discharges. In the future, the Group will further strengthen product R&D, especially for products featuring new materials such as thermal resistant filtration materials. The Group will also carry forward new product development based on in-depth communication with customers and according to market and customer needs, while refining the product mix on a timely basis to improve the overall profitability. The Group believes that, through the increased R&D investment, the initiatives to upgrade product portfolio will enable it to build long-term competitiveness.

The Group is a Provincial-Level Technology Centre in Fujian and the only domestic non-woven materials enterprise accredited with SCS Recycled Content Certification. As at 30 June 2013, the Group had 23 patents and is applying for the registration of 33 patents.

In the first half of 2013, the Group continued R&D investment. While strengthening product R&D of new materials including thermal resistant filtration materials, the Group also increased the market share of new products with proprietary intellectual property rights on a market-oriented basis.

Management Discussion and Analysis

FINANCIAL REVIEW

For the six months ended 30 June 2013, the Group's turnover decreased by approximately 8.0% to approximately RMB612.2 million but profit attributable to owners of the Company for the period increased by approximately 10.5% to approximately RMB97.6 million.

Turnover

The Group's turnover for the six months ended 30 June 2013 was approximately RMB612.2 million, representing a decrease of approximately 8.0% or approximately RMB53.5 million over the corresponding period of last year.

The Group's turnover of non-woven materials for the six months ended 30 June 2013 was approximately RMB500.3 million, representing a decrease of approximately 9.4% or approximately RMB51.8 million from the same period of last year. Turnover of recycled chemical fibres was approximately RMB83.1 million, representing a decrease of approximately 24.7% or approximately RMB27.2 million from the same period of last year. Turnover of thermal resistant filtration materials was approximately RMB26.8 million for the period (Six months ended 30 June 2012: RMB2.0 million).

During the six months ended 30 June 2013, the Group's export sales to Hong Kong and overseas market accounted for approximately 21.8% (Six months ended 30 June 2012: 21.7%) of the Group's turnover while sales in the PRC (except Hong Kong) accounted for approximately 78.2% (Six months ended 30 June 2012: 78.3%).

During the six months ended 30 June 2013, the Group sold approximately 42.5 million yards of non-woven materials, representing a decrease of approximately 5.1% from the same period of last year, and its sales of recycled chemical fibres dropped to approximately 9,300 tons, representing a decrease of approximately 21.2% 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 629,000 sq.m. of thermal resistant filtration materials during the period (Six months ended 30 June 2012: 67,000 sq.m.).

Gross profit and gross profit margin

For the six months ended 30 June 2013, the Group's gross profit was approximately RMB201.5 million, representing an increase of approximately 1.3% or approximately RMB2.6 million as compared with the same period in 2012. The increase in gross profit was mainly driven by the increase in gross profit margin of non-woven materials segment. The gross profit for the non-woven materials segment accounted for approximately 92.1% of the total gross profit during the six months ended 30 June 2013 (Six months ended 30 June 2012: 90.8%). The gross profit for the recycled chemical fibres segment accounted for approximately 8.8% of the total gross profit during the six months ended 30 June 2013 (Six months ended 30 June 2012: 12.1%).

The overall gross profit margin of the Group was approximately 32.9%, representing an increase of 3.0 percentage points as compared to the same period of last year. The gross profit margin for non-woven materials segment increased from approximately 32.7% for the six months ended 30 June 2012 to approximately 37.1% for the six months ended 30 June 2013. As for the recycled chemical fibres segment, its gross profit margin was approximately 21.3% for the six months ended 30 June 2013, representing a decrease of approximately 0.5 percentage points as compared to the same period of last year. The thermal resistant filtration materials has incurred a segment loss of approximately RMB2.3 million during the period (Six months ended 30 June 2012: RMB5.9 million). The increase in gross profit margin for non-woven materials was principally due to the increase in sale volume of products with higher profit margin; the decrease in gross profit margin for recycled chemical fibres was principally due to the decrease in selling price during the six months ended 30 June 2013.

Management Discussion and Analysis

FINANCIAL REVIEW (CONTINUED)

Distribution expenses

For the six months ended 30 June 2013, distribution expenses decreased by approximately RMB3.9 million as compared to the same period in 2012. Distribution expenses accounted for approximately 1.2% of the Group's turnover for the six months ended 30 June 2013 (Six months ended 30 June 2012: 1.7%). The decrease in distribution expenses was mainly due to the decrease in logistics and transportation expenses for goods and raw materials during the six months ended 30 June 2013.

Administrative expenses

Administrative expenses for the six months ended 30 June 2013 had a slight decrease by approximately RMB1.3 million as compared to the same period in 2012. The administrative expenses accounted for approximately 6.5% of the Group's turnover for the six months ended 30 June 2013 (Six months ended 30 June 2012: 6.2%), which remained stable with the first half of last year.

Finance costs

Finance costs for the six months ended 30 June 2013 increased by approximately RMB1.3 million as compared to the same period in 2012. The percentage of finance costs to Group's turnover has slightly increased to approximately 4.0% for the six months ended 30 June 2013 (Six months ended 30 June 2012: 3.5%).

Income tax expense

The Group's effective income tax rate for the six months ended 30 June 2013 was approximately 29.2%, as compared with approximately 31.7% (restated) for the corresponding period in 2012. The effective income tax rate remained stable with first half of last year.

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 2013 was approximately RMB97.6 million, representing an increase of approximately 10.5% or approximately RMB9.2 million as compared with the first half of 2012. The Group's net profit margin for the six months ended 30 June 2013 was approximately 15.9%, representing an increase of 2.6 percentage points as compared with the corresponding period of last year. The increase in net profit margin was mainly due to an increase in gross profit and decreases in distribution expenses and administrative expenses.

Earnings per share

The Group's basic earnings per share for the six months ended 30 June 2013 was approximately RMB12.57 cents, representing an increase of approximately 10.5% as compared with the same period in 2012, which was due to an increase 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 periods ended 30 June 2012 and 2013.

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 2012 and 2013.

Management Discussion and Analysis

FINANCIAL REVIEW (CONTINUED)

Liquidity and financial resources

The Company's shares were listed on The Stock Exchange of Hong Kong Limited (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$23.4 million for the expansion of its existing technology centre and the establishment of a research centre for new materials. 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 issued the convertible bond with an aggregate principal amount of US$30 million to CITIC Capital China Access Fund Limited ("CITIC Capital"). The convertible bond was redeemed by the Company at its maturity in July 2013.

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 RMB1,237.3 million (31 December 2012: RMB963.4 million), non-pledged bank deposits with more than three months to maturity of approximately RMB14.4 million (31 December 2012: RMB14.7 million), and pledged bank deposits of approximately RMB7.6 million (31 December 2012: RMB33.1 million) as at 30 June 2013. The Group's bank and cash balances were mostly held in Hong Kong dollar and Renminbi.

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 2013. 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 2013, the Group's bank loans amounted to approximately RMB497.0 million (31 December 2012: RMB368.8 million), of which 70.0% (31 December 2012: 83.8%) was repayable within one year. The Group's bank loans were made in Hong Kong dollars, US dollars and Renminbi, whilst approximately 69.1% (31 December 2012: 44.1%) of such bank loans bore interest at fixed lending rate. As at 30 June 2013, the Group's gearing ratio was approximately 30.8% calculated as bank loans plus convertible bond divided by total assets (31 December 2012: 27.7%). Net current assets and net assets as at 30 June 2013 were approximately RMB1,010.0 million (31 December 2012: RMB851.3 million) and approximately RMB1,272.9 million (31 December 2012: RMB1,212.6 million), respectively.

As at 30 June 2013, certain leased lands, buildings and investment properties of the Group with carrying values of approximately RMB51.0 million (31 December 2012: RMB52.7 million), RMB48.6 million (31 December 2012: RMB50.1 million) and RMB13.8 million (31 December 2012: RMB14.3 million), respectively, were pledged to secure general banking facilities granted to the Group.

As at 30 June 2013, the Group did not have any contingent liabilities (31 December 2012: Nil).

Significant investments and acquisitions

During the six months ended 30 June 2013, the Group acquired property, plant and equipment and incurred costs for construction in progress of approximately RMB7.3 million and RMB1.6 million (Six months ended 30 June 2012: approximately RMB23.2 million and RMB24.7 million), respectively.

Management Discussion and Analysis

PROSPECTS AND OUTLOOK

On 29 February 2012, the newly revised Ambient Air Quality Standards introduced the 8-hour average concentration thresholds for particulate matters (PM2.5) and ozone. Later in mid-June 2013, the State Council put forward at an executive meeting the "10 Measures on Prevention of Atmospheric Pollution" with a focus on strengthening PM2.5 control through reduction in atmospheric pollutant emission from key industries and the joint prevention and control mechanism for key areas, requiring "taking strong measures to ensure the mission to be completed and the prevention and control campaign to take effect as soon as possible". Subsequently, local governments also launched relevant policies and rules on strengthening the control over environmental pollution, especially over atmospheric pollution. Furthermore, pursuant to the Opinions on Accelerating the Development of Energy Conservation and Environmental Protection Industries promulgated by the State Council on 11 August 2013, energy conservation and environmental protection industries are defined as "pillar industries" for the first time with a gross output target at RMB4.5 trillion by 2015. These favourable policies, while confirming the Group's alignment in corporate strategy and product positioning with national policies of economic trend, have boosted our confidence in stepping up market development of energy conservation and environmental protection products. The Group believes that, by drawing up accurate positioning and quick market penetration as well as the supports and sales platform of CECEP, our new materials business is set to become a new growth driver.

In view of the existing market conditions, the Company intends to refine the marketing strategy for filtration materials in the second half of 2013, aiming to cut down selling expenses by re-integrating the seven regional markets with optimised teams and reasonably allocated resources. Emphasis will be placed on core regions including east, north, south, northwest and northeast China, while cooperation will be pushed forward by sector with major design institutes, filtration equipment manufacturers, and major end users in power generation, cement, steel, chemicals, waste incineration industries in China. Furthermore, a project service system will be set up to establish strategic cooperation on project maintenance with end users, so as to expand our domestic sales through value-added services. A broker mechanism will be introduced to facilitate multi-channel penetrations according to industrial and regional strongholds. Meanwhile, the Group will strengthen management and training on the staff to further improve their professional skills and sales competency.

Other Information

EMPLOYMENT, TRAINING AND DEVELOPMENT

As at 30 June 2013, the Group had a total of 979 employees (31 December 2012: 986). 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 2013. As at 30 June 2013, the Company had 11,700,000 share options remained outstanding and 430,000 share options were lapsed during the reporting period. Subsequently, all 11,700,000 share options of the Company were lapsed on 15 August 2013 as a result of the general offer of the Company's issued share capital made by Hong Kong Rong An.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

On 27 August 2013, the board (the "Board") of directors of the Company (the "Directors") has resolved to pay an interim dividend of HK3.5 cents per ordinary share to the shareholders of the Company (the "Shareholders") as recorded on the register of members of the Company on Monday, 23 September 2013. The interim dividend will be paid to the Shareholders on or about Monday, 30 September 2013.

The register of members of the Company will be closed from Wednesday, 18 September 2013 to Monday, 23 September 2013, 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 Tuesday, 17 September 2013.

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

As at 30 June 2013, 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 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") to be notified to the Company and the Stock Exchange were as follows:

Other Information

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

Shares/underlying shares in the Company

Name of Directors	Number of shares/underlying shares held	Approximate % of the relevant issued share capital	Nature of interests
Chim Wai Kong	194,840,000 (L)	25.09%	Settlor of trust *(Note 1)*
	59,321,585 (L)	7.64%	Beneficiary of trust *(Note 2)*
	2,270,000 (L)	0.29%	Interests of controlled corporation *(Note 3)*
	290,000 (L)	0.04%	Beneficial Owner *(Note 4)*
	225,160,000 (L)	29.00%	Interest of other party to an agreement under section 317 of the SFO *(Note 5)*
Chim Wai Shing Jackson	194,840,000 (L)	25.09%	Settlor of trust *(Note 1)*
	49,567,988 (L)	6.38%	Beneficiary of trust *(Note 6)*
	230,000 (L)	0.03%	Beneficial Owner *(Note 7)*
	227,430,000 (L)	29.29%	Interest of other party to an agreement under section 317 of the SFO *(Note 8)*
Zhu Min Ru	200,000 (L)	0.03%	Beneficial Owner *(Note 9)*
Feng Xue Ben	200,000 (L)	0.03%	Beneficial Owner *(Note 10)*

(L): Long Position

Notes:

1. *194,840,000 shares are held by Nian's Brother Holding Limited ("Nian's Brother Holding"). The entire interest of Nian's Brother 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"). Nian's Investment 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 Brother 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 59,321,585 shares directly held by Nian's Brother Holding.*

3. *2,270,000 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 2,270,000 shares held by Better Prospect. Chim Wai Kong is a director of Better Prospect.*

4. *As at 30 June 2013, Chim Wai Kong was 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. These share options were lapsed on 15 August 2013.*

Other Information

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

Shares/underlying shares in the Company (Continued)

5. *These 225,160,000 shares are held by Hong Kong Rong An. As a result of the shareholders deed entered into on 4 June 2013 among Hong Kong Rong An, Nian's Brother Holding, Chim Wai Kong and Chim Wai Shing Jackson (the "Shareholders Deed"), Chim Wai Kong is deemed (for the purpose of the duty of disclosure) to be interested in the above shares pursuant to Part XV of the SFO.*

6. *Chim Wai Shing Jackson is also one of the beneficiaries of the Nian's Brother Trust and is deemed to be interested in 49,567,988 shares directly held by Nian's Brother Holding.*

7. *As at 30 June 2013, Chim Wai Shing Jackson was 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. These share options were lapsed on 15 August 2013.*

8. *These 227,430,000 shares comprise 225,160,000 shares held by Hong Kong Rong An and 2,270,000 shares indirectly held by Chim Wai Kong. As a result of the entering into of the Shareholders Deed, Chim Wai Shing Jackson is deemed (for the purpose of the duty of disclosure) to be interested in the above shares pursuant to Part XV of the SFO.*

9. *As at 30 June 2013, Zhu Min Ru was 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. These share options were lapsed on 15 August 2013.*

10. *As at 30 June 2013, Feng Xue Ben was 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. These share options were lapsed on 15 August 2013.*

Save as disclosed above, as at 30 June 2013, 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the table showing movement in outstanding share options on page 13 of this report, at no time during the six months ended 30 June 2013 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 shares.

Other Information

SHARE OPTION SCHEME (CONTINUED)

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 2013.

The following table discloses movements in the outstanding share options during the six months ended 30 June 2013:

		Number of share options					
Grantees	Exercise Price	As at 1 January 2013	Granted during the period	Exercised during the period	Lapsed during the period	As at 30 June 2013	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)*
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	9,530,000	–	–	(180,000)	9,350,000	30 June 2011 – 13 January 2021 *(Note 1)*
In aggregate	HK$7.12	1,680,000	–	–	(250,000)	1,430,000	31 December 2011 – 13 January 2021 *(Note 2)*
		12,130,000	–	–	(430,000)	11,700,000	

Other Information

SHARE OPTION SCHEME (CONTINUED)

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*

As at 30 June 2013, the Company had 11,700,000 share options remained outstanding and 430,000 share options were lapsed during the six months ended 30 June 2013. Subsequently, all 11,700,000 share options of the Company were lapsed on 15 August 2013 as a result of the general offer of the Company's issued share capital made by Hong Kong Rong An.

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 2013, 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 Shareholders	Number of shares held	Approximate % of the relevant issued share capital	Nature of interests
Hong Kong Rong An	225,160,000 (L)	29.00%	Beneficial owner *(Note 1)*
	194,840,000 (L)	25.09%	Interest of other party to an agreement under section 317 of the SFO *(Note 2)*
CQCECEP	420,000,000 (L)	54.09%	Interest of controlled corporation *(Note 1)*
CECEP	420,000,000 (L)	54.09%	Interest of controlled corporation *(Note 1)*
Nian's Brother Holding	194,840,000 (L)	25.09%	Beneficial owner *(Note 3)*
	227,430,000 (L)	29.29%	Interest of other party to an agreement under section 317 of the SFO *(Note 4)*

Other Information

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

Name of Shareholders	Number of shares held	Approximate % of the relevant issued share capital	Nature of interests
Nian's Investment	422,270,000 (L)	54.39%	Interest of controlled corporation *(Note 3)*
JMJ	422,270,000 (L)	54.39%	Interest of controlled corporation *(Note 5)*
Coutts	422,270,000 (L)	54.39%	Trustee *(Note 5)*
Headwell	65,457,000 (L)	8.43%	Beneficial owner *(Note 6)*
Modern Creative	65,457,000 (L)	8.43%	Interest of controlled corporation *(Note 6)*
Liu Shufa	65,457,000 (L)	8.43%	Interest of controlled corporation and family interest *(Note 6)*
Wang Juan	65,457,000 (L)	8.43%	Interest of controlled corporation and family interest *(Note 6)*
Gerfalcon Holding	60,000,000 (L)	7.73%	Beneficial owner *(Note 7)*
Hui Cheung Mau	60,000,000 (L)	7.73%	Interest of controlled corporation *(Note 7)*
	4,020,206 (L)	0.52%	Beneficiary of trust *(Note 8)*
Sze Fo Chau	60,000,000 (L)	7.73%	Interest of controlled corporation *(Note 7)*
	5,852,158 (L)	0.75%	Beneficiary of trust *(Note 9)*
CITIC Capital	45,320,388 (L)	5.84%	Beneficial owner *(Note 10)*
CITIC Capital Holdings	45,320,388 (L)	5.84%	Interest of controlled corporation *(Note 10)*
CITIC Limited	45,320,388 (L)	5.84%	Interest of controlled corporation *(Note 10)*

(L): Long Position

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

Notes:

1. *Hong Kong Rong An is a wholly-owned subsidiary of CQCECEP which is owned as to approximately 87.12% by CECEP. For the purpose of Part XV of the SFO, CQCECEP and CECEP are therefore deemed to be interested in the shares held by Hong Kong Rong An.*

2. *These 194,840,000 shares are held by Nian's Brother Holding. As a result of the entering into of the Shareholders Deed, Hong Kong Rong An is deemed (for the purpose of the duty of disclosure) to be interested in the above shares pursuant to Part XV of the SFO.*

3. *Nian's Brother 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 Brother Holding.*

4. *These 227,430,000 shares comprise 225,160,000 shares held by Hong Kong Rong An and 2,270,000 shares indirectly held by Chim Wai Kong. As a result of the entering into of the Shareholders Deed, Nian's Brother Holding is deemed (for the purpose of the duty of disclosure) to be interested in the above shares pursuant to Part XV of the SFO.*

5. *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.*

6. *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 Shufa as to 50% and Wang Juan as to 50%. Liu Shufa is the spouse of Wang Juan. Liu Shufa and Wang Juan are deemed to be interested in the shares held by each other.*

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

8. *Hui Cheung Mau is also one of the beneficiaries of the Nian's Brother Trust and is deemed to be interested in 4,020,206 shares directly held by Nian's Brother Holding.*

9. *Sze Fo Chau is also one of the beneficiaries of the Nian's Brother Trust and is deemed to be interested in 5,852,158 shares directly held by Nian's Brother Holding.*

10. *These 45,320,388 underlying shares represented 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. According to the disclosure of interest form submitted by CITIC Limited on 5 January 2012, 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, and 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 were therefore deemed to be interested in the underlying shares in which CITIC Capital was interested. The convertible bond was redeemed by the Company at its maturity in July 2013.*

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 2013, 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 2013, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

CODE OF CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with all applicable code provisions under the Corporate Governance Code, as set out in Appendix 14 to the Listing Rules, throughout the six months ended 30 June 2013.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code 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 2013.

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 2013 has been reviewed by the Audit Committee, which is of the opinion that such interim report comply 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 2013 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 18 of this interim report.

By order of the Board
CECEP COSTIN New Materials Group Limited

Yu Heping
Co-Chairman

Chim Wai Kong
Co-Chairman

Hong Kong, 27 August 2013

Independent Review Report

TO THE BOARD OF DIRECTORS OF
CECEP 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 19 to 34 which comprises the condensed consolidated statement of financial position of CECEP COSTIN New Materials Group Limited (the "Company") and its subsidiaries (collectively referred as the "Group") as at 30 June 2013 and the related condensed consolidated statement of profit or loss and other 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 2013

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2013

	Note	Six months ended 30 June 2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited) (restated)
Turnover	4	**612,209**	665,735
Cost of goods sold		**(410,734)**	(466,846)
Gross profit		**201,475**	198,889
Other income		**7,925**	6,038
Distribution expenses		**(7,319)**	(11,240)
Administrative expenses		**(39,827)**	(41,119)
Profit from operations		**162,254**	152,568
Finance costs	5	**(24,502)**	(23,174)
Profit before tax		**137,752**	129,394
Income tax expense	6	**(40,180)**	(41,065)
Profit for the period attributable to owners of the Company	7	**97,572**	88,329
Other comprehensive income for the period, net of tax			
Item that will be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**2,174**	163
Total comprehensive income for the period attributable to owners of the Company		**99,746**	88,492
Earnings per share	9		
Basic		**RMB12.57 cents**	RMB11.38 cents

Condensed Consolidated Statement of Financial Position

At 30 June 2013

	Note	At 30 June 2013 RMB'000 (unaudited)	At 31 December 2012 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	10	375,040	390,330
Construction in progress	10	43,343	41,986
Investment properties		13,750	14,268
Prepayments for acquisition of property, plant and equipment		33,785	23,916
		465,918	470,500
Current assets			
Inventories		177,418	122,994
Trade and bills receivables	11	400,615	489,748
Prepayments, deposits and other receivables		7,137	10,124
Pledged bank deposits		7,570	33,091
Non-pledged bank deposits with more than three months to maturity		14,412	14,655
Bank and cash balances		1,237,327	963,391
		1,844,479	1,634,003
Current liabilities			
Trade and bills payables	12	191,999	138,395
Accruals and other payables		53,590	62,704
Bank loans		347,775	309,000
Convertible bond	13	215,246	214,065
Finance lease payables		179	176
Current tax liabilities		25,685	58,324
		834,474	782,664
Net current assets		1,010,005	851,339
Total assets less current liabilities		1,475,923	1,321,839
Non-current liabilities			
Bank loans		149,244	59,808
Finance lease payables		94	188
Deferred tax liabilities		53,733	49,275
		203,071	109,271
NET ASSETS		1,272,852	1,212,568
Capital and reserves			
Share capital	14	68,475	68,475
Reserves		1,204,377	1,144,093
TOTAL EQUITY		1,272,852	1,212,568

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

	(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 (Note 3)	Total RMB'000
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 (restated)	–	–	–	–	163	–	–	–	88,329	88,492
Dividends paid (note 8)	–	–	–	–	–	–	–	–	(41,007)	(41,007)
Share-based payments	–	–	6,206	–	–	–	–	–	–	6,206
Lapse of share options granted in prior years	–	–	(179)	–	–	–	–	–	179	–
Changes in equity for the period (restated)	–	–	6,027	–	163	–	–	–	47,501	53,691
At 30 June 2012 (restated)	68,475	240,477	19,406	3,068	(14,280)	137,329	20,934	79,974	519,143	1,074,526
At 1 January 2013	**68,475**	**240,477**	**21,131**	**3,068**	**(13,804)**	**168,350**	**20,934**	**79,974**	**623,963**	**1,212,568**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**2,174**	**–**	**–**	**–**	**97,572**	**99,746**
Dividends paid (note 8)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(40,820)**	**(40,820)**
Share-based payments	**–**	**–**	**1,358**	**–**	**–**	**–**	**–**	**–**	**–**	**1,358**
Lapse of share options granted in prior years	**–**	**–**	**(420)**	**–**	**–**	**–**	**–**	**–**	**420**	**–**
Changes in equity for the period	**–**	**–**	**938**	**–**	**2,174**	**–**	**–**	**–**	**57,172**	**60,284**
At 30 June 2013	**68,475**	**240,477**	**22,069**	**3,068**	**(11,630)**	**168,350**	**20,934**	**79,974**	**681,135**	**1,272,852**

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**181,422**	96,897
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	**6,705**	(82,506)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	**89,136**	(6,914)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**277,263**	7,477
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**963,391**	844,541
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(3,327)**	1,471
CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY	**1,237,327**	853,489
Bank and cash balances	**1,237,327**	853,489

Notes to the Condensed Financial Statements

For the six months ended 30 June 2013

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 2012 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 2012.

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 2013. IFRSs comprise International Financial Reporting Standards ("IFRS"); International Accounting Standards ("IAS"); and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years except as stated below.

(a) Amendments to IAS 1 "Presentation of Financial Statements"

Amendments to IAS 1 titled Presentation of Items of Other Comprehensive Income introduce new terminology for statement of comprehensive income and income statement. Under the amendments to IAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

The amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (i) items that will not be reclassified subsequently to profit or loss; and (ii) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the change. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

(b) IFRS 13 "Fair Value Measurement"

IFRS 13 "Fair Value Measurement" establishes a single source of guidance for all fair value measurements required or permitted by IFRSs. It clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under market conditions, and enhances disclosures about fair value measurements.

The adoption of IFRS 13 only affects disclosures on fair value measurements in the consolidated financial statements. IFRS 13 has been applied prospectively.

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 2013

3. RESTATEMENT OF PRIOR PERIOD ESTIMATION

Xinhua Share Co., Ltd. Fujian ("Xinhua Co.") was recognized as an advanced technology enterprise (高新技術企業) on 26 October 2009 and was entitled to enjoy income tax concessions at the preferential rate of 15% for three years from 1 January 2009 to 31 December 2011. As at the date of the interim results announcement of the Company for the six months ended 30 June 2012, the renewal of the advanced technology enterprise status of Xinhua Co. was in process and the Directors were of the opinion that the renewal should be successful and therefore Xinhua Co. had continued to adopt the People's Republic of China (the "PRC") enterprise income tax (the "PRC EIT") rate of 15% in the interim results announcement for the six months ended 30 June 2012. However, the renewal of the advanced technology enterprise status was not approved by the relevant PRC government authorities by the end of 2012 and as such the PRC EIT rate of Xinhua Co. changed from 15% to 25% with effect from 1 January 2012. In order to reflect such change in the PRC EIT rate, the income tax expenses of the Group for the six months ended 30 June 2012 and income tax liabilities of the Group as at 30 June 2012 have been restated and increased by approximately RMB14,538,000.

Pursuant to the tax law in the PRC, dividends declared by the subsidiaries in the PRC to parent companies incorporated overseas are subject to withholding tax of 5% to 10%. As a result, the provision for withholding tax has been made for the Company's PRC subsidiaries. The deferred tax liabilities represent the aggregate amount of temporary differences associated with distributable retained profits of the Group's subsidiaries in the PRC. As the restatement of income tax expenses of Xinhua Co. for the six months ended 30 June 2012 would lower the distributable retained profits of Xinhua Co., the deferred tax expenses of the Group for the six months ended 30 June 2012 and the deferred tax liabilities of the Group as at 30 June 2012 have been restated and decreased by approximately RMB726,000.

The financial results of the Group for the year ended 31 December 2012 have already adopted the PRC EIT rate of 25% for Xinhua Co. and therefore no restatement would be required.

Notes to the Condensed Financial Statements

For the six months ended 30 June 2013

4. 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)
Six months ended 30 June 2013:					
Revenue from external customers	**500,303**	**83,098**	**26,842**	**1,966**	**612,209**
Intersegment revenue	**–**	**8,193**	**–**	**791**	**8,984**
Segment profit/(loss)	**185,616**	**17,723**	**(2,291)**	**427**	**201,475**
At 30 June 2013:					
Segment assets	**154,545**	**77,391**	**191,986**	**3,836**	**427,758**

	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)
Six 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
	(audited)	*(audited)*	*(audited)*	*(audited)*	*(audited)*
At 31 December 2012:					
Segment assets	143,331	57,494	179,148	4,831	384,804

Notes to the Condensed Financial Statements

For the six months ended 30 June 2013

4. SEGMENT INFORMATION (CONTINUED)

(b) Reconciliations of segment profit or loss:

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Total profit or loss of reportable segments	**201,475**	198,889
Unallocated amounts:		
Other income	**7,925**	6,038
Distribution expenses	**(7,319)**	(11,240)
Administrative expenses	**(39,827)**	(41,119)
Finance costs	**(24,502)**	(23,174)
Consolidated profit before tax	**137,752**	129,394

5. FINANCE COSTS

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Finance lease charges	**10**	16
Interest expense on bank loans	**12,152**	11,130
Interest expense on convertible bond-wholly payable within five years	**12,340**	12,028
	24,502	23,174

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
		(restated)
Current tax – PRC EIT	**35,722**	36,168
Deferred tax	**4,458**	4,897
	40,180	41,065

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 2013

6. INCOME TAX EXPENSE (CONTINUED)

On 26 October 2009, 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% for three years from 1 January 2009 to 31 December 2011. Starting from 1 January 2012, the PRC EIT rate changed from 15% to 25%.

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 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 2012 and 2013.

7. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2013	*2012*
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Gain on disposals of property, plant and equipment	**–**	(49)
Government grants	**(1,040)**	(2)
Interest income	**(4,038)**	(4,345)
Rental income	**(1,483)**	(1,483)
Cost of inventories sold	**410,734**	466,846
Depreciation of property, plant and equipment	**22,869**	21,731
Depreciation of investment properties	**518**	518
Directors' remuneration		
Salaries, bonus and allowances	**2,122**	1,938
Retirement benefit scheme contributions	**12**	13
Equity-settled share-based payments	**165**	209
	2,299	2,160
Net exchange (gain)/loss	**(1,257)**	489
Operating leases charges in respect of land and buildings	**2,930**	2,502
Research and development expenditure	**5,485**	1,181
Staff costs (excluding directors' remuneration)		
Salaries, bonus and allowances	**22,652**	20,489
Retirement benefit scheme contributions	**401**	247
Equity-settled share-based payments	**1,193**	5,997
	24,246	26,733

Notes to the Condensed Financial Statements

For the six months ended 30 June 2013

8. DIVIDENDS

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Proposed interim dividend – RMB2.8 cents (HK3.5 cents) (2012: RMB2.9 cents (HK3.5 cents)) per ordinary share	**21,615**	22,179
Final dividend for the year ended 31 December 2012 approved and paid – RMB5.3 cents (HK6.5 cents) (2011: RMB5.3 cents (HK6.5 cents)) per ordinary share	**40,820**	41,007
	62,435	63,186

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
		(restated)
Earnings		
Profit attributable to owners of the Company, used in the basic earnings per share calculation	**97,572**	88,329
Number of shares		
Weighted average number of ordinary shares used in the basic earnings per share calculation	**776,422,000**	776,422,000

The effect of potential ordinary shares in respect of convertible bond is anti-dilutive for the periods ended 30 June 2012 and 2013.

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 2012 and 2013.

10. PROPERTY, PLANT AND EQUIPMENT AND CONSTRUCTION IN PROGRESS

During the six months ended 30 June 2013, the Group acquired property, plant and equipment and incurred costs for construction in progress of approximately RMB7,311,000 and RMB1,636,000 respectively (Six months ended 30 June 2012: approximately RMB23,215,000 and RMB24,654,000 respectively).

Notes to the Condensed Financial Statements

For the six months ended 30 June 2013

11. TRADE AND BILLS RECEIVABLES

	At 30 June 2013 RMB'000 (unaudited)	*At 31 December 2012 RMB'000 (audited)*
Trade receivables	**383,031**	475,259
Bills receivables	**17,584**	14,489
	400,615	489,748

The Group normally allows credit terms to customers ranging from 30 to 180 days (At 31 December 2012: 30 to 90 days). For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

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

	At 30 June 2013 RMB'000 (unaudited)	*At 31 December 2012 RMB'000 (audited)*
0-30 days	**190,270**	213,697
31-60 days	**118,100**	176,694
61-90 days	**66,067**	84,703
91-120 days	**7,836**	123
121-150 days	**730**	–
Over 150 days	**28**	42
	383,031	475,259

Notes to the Condensed Financial Statements

For the six months ended 30 June 2013

12. TRADE AND BILLS PAYABLES

	At 30 June 2013 RMB'000 (unaudited)	*At 31 December 2012 RMB'000 (audited)*
Trade payables	**188,232**	135,246
Bills payables	**3,767**	3,149
	191,999	138,395

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 2013 RMB'000 (unaudited)	*At 31 December 2012 RMB'000 (audited)*
0-30 days	**94,230**	84,318
31-60 days	**77,004**	37,566
61-90 days	**15,553**	12,510
91-120 days	**317**	253
121-150 days	**80**	91
Over 150 days	**1,048**	508
	188,232	135,246

Notes to the Condensed Financial Statements

For the six months ended 30 June 2013

13. 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 is no early redemption of the Bond. The outstanding Bond is to be redeemed on the 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.

On 18 July 2013, the Company redeemed the Bond in the principal amount of US$30,000,000 at the redemption amount of US$34,992,000 together with accrued and unpaid interest on its maturity in accordance with the terms and conditions of the Bond. Upon redemption, the Bond has been cancelled and the Company does not have any outstanding Bond.

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

	RMB'000
Liability component at 1 January 2012 (audited)	193,007
Interest charged	25,400
Interest paid	(3,759)
Exchange differences	(583)
Liability component at 31 December 2012 (audited) and 1 January 2013	214,065
Interest charged	12,340
Interest paid	(7,483)
Exchange differences	(3,676)
Liability component at 30 June 2013 (unaudited)	215,246

Notes to the Condensed Financial Statements

For the six months ended 30 June 2013

14. SHARE CAPITAL

	Number of shares	Amount HK$	Amount as presented RMB
Authorised:			
Ordinary shares of HK$0.1 each			
At 1 January 2012 (audited), 31 December 2012 (audited), 1 January 2013 and 30 June 2013 (unaudited)	2,000,000,000	200,000,000	176,000,000
Issued and fully paid:			
Ordinary shares of HK$0.1 each			
At 1 January 2012 (audited), 31 December 2012 (audited), 1 January 2013 and 30 June 2013 (unaudited)	776,422,000	77,642,200	68,474,747

15. RELATED PARTY TRANSACTIONS

(a) In addition to those related party transactions 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	
	2013 RMB'000 (unaudited)	*2012 RMB'000 (unaudited)*
Sales of goods to related companies	**544**	–
Purchases of raw materials from a related company	**21,855**	–
Rental income charged to a related company	**1,013**	1,013
Rental expenses charged by related companies	**1,120**	1,120

Notes to the Condensed Financial Statements

For the six months ended 30 June 2013

15. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	30 June 2013 RMB'000 (unaudited)	*31 December 2012 RMB'000 (audited)*
Trade receivables from related companies	**695**	–
Trade payables to a related company	**3,359**	3,094

(c) Remuneration of key management personnel:

	Six months ended 30 June	
	2013 RMB'000 (unaudited)	*2012 RMB'000 (unaudited)*
Salaries, bonus and allowances		
– Directors	**2,122**	1,938
– Key management	**778**	709
Sub-total	**2,900**	2,647
Retirement benefit scheme contributions		
– Directors	**12**	13
– Key management	**6**	5
Sub-total	**18**	18
Equity-settled share-based payments		
– Directors	**165**	209
– Key management	**856**	1,663
Sub-total	**1,021**	1,872
Total	**3,939**	4,537

Notes to the Condensed Financial Statements

For the six months ended 30 June 2013

16. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2013 (At 31 December 2012: Nil).

17. CAPITAL COMMITMENTS

	At 30 June 2013 RMB'000 (unaudited)	*At 31 December 2012 RMB'000 (audited)*
Contracted but not provided for:		
Construction of buildings	**2,625**	–
Property, plant and equipment	**1,638**	4,647
	4,263	4,647

18. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 27 August 2013.