



**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



# 2015

## Interim Report



**中国节能**  
CHINA ENERGY CONSERVATION AND  
ENVIRONMENTAL PROTECTION GROUP



**中國節能海東青**  
CECEP COSTIN

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# Corporate Information

## EXECUTIVE DIRECTORS

Mr. Wang Li (*Co-Chairman*)  
Mr. Chim Wai Kong (*Co-Chairman*)  
Mr. Chim Wai Shing Jackson (*Chief Executive Officer*)  
Mr. Xue Mangmang

## NON-EXECUTIVE DIRECTORS

Mr. Yang Yihua  
Ms. Ma Yun

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Feng Xue Ben  
Mr. Wong Siu Hong  
Mr. Xu Qinghua

## 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

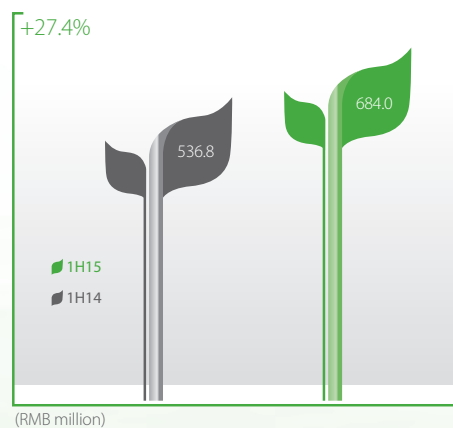
Suites 2703-04  
27th Floor, Tower 6  
The Gateway  
Harbour City  
Kowloon

## WEBSITE

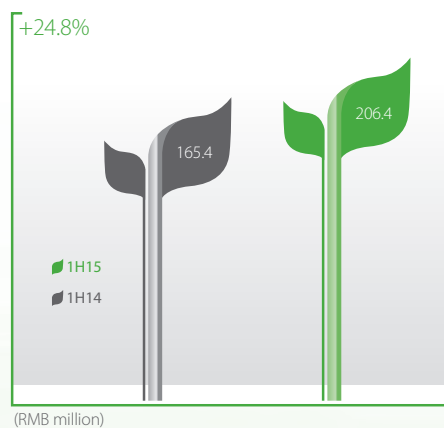
[www.costingroup.com](http://www.costingroup.com)

# Results Highlights

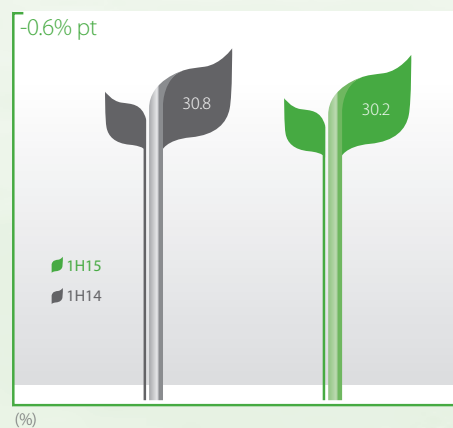
## TURNOVER



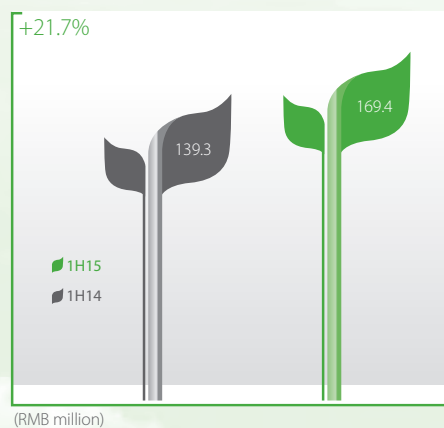
## GROSS PROFIT



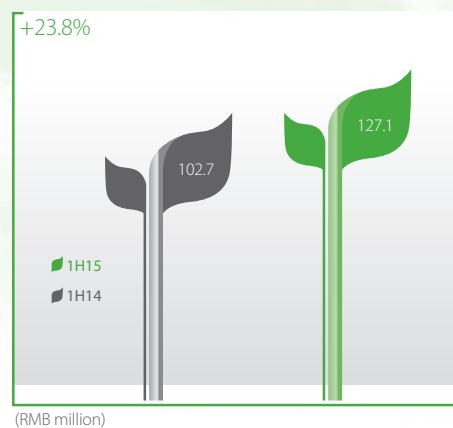
## GROSS PROFIT MARGIN



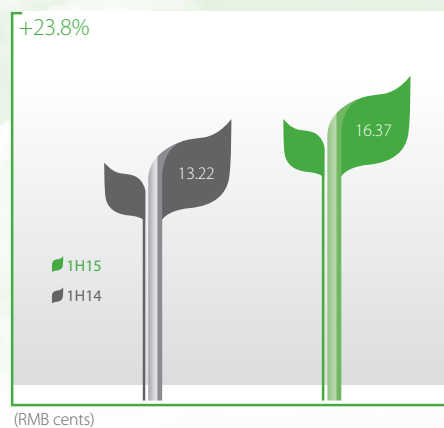
## PROFIT FROM OPERATIONS



## PROFIT FOR THE PERIOD



## BASIC EARNINGS PER SHARE



# Management Discussion and Analysis

## BUSINESS REVIEW

In the first half of 2015, with the efforts of management and our staff, the core business of CECEP COSTIN New Materials Group Limited ("CECEP COSTIN" or the "Company") and its subsidiaries (collectively referred to as the "Group") maintained a stable performance during the period. During the period under review, turnover of the Group reached RMB684.0 million, representing an increase of approximately 27.4% from RMB536.8 million in the first half of 2014; gross profit amounted to RMB206.4 million representing an increase of approximately 24.8% from RMB165.4 million in the first half of 2014. In the first half of 2015, profit for the period attributable to owners of the Company reached RMB127.1 million, representing an increase of approximately 23.8% from RMB102.7 million (restated) in the corresponding period of 2014. Basic earnings per share for the first half of 2015 was approximately RMB16.37 cents (2014: RMB13.22 cents (restated)).

As the People's Republic of China (the "PRC" or "China") geared down its economic momentum in the first half of 2015, and in the context of consumption upgrade and economic transformation, sales of traditional industry products was under pressure. However, benefiting from our long-term investment in product R&D and unremitting marketing efforts, the non-woven materials business of the Group continued to achieve growth. The extensive application of our products as well as the solid customer base allowed us to effectively hedge from the impact of industry-specific volatility on our business results.

### Non-woven materials with 3D engineering structure

As of 30 June 2015, the annual production capacity of the Group's non-woven materials with 3D engineering structure included approximately 103 million yards involving 17 stitch-bonded non-woven material production lines and approximately 57 million yards involving 9 needle-punching non-woven material production lines, bringing the aggregate production capacity to approximately 160 million yards per annum. Due to the increase in export sales to overseas markets via Hong Kong, sales volume of non-woven materials for the six months ended 30 June 2015 recorded a period-on-period increase of approximately 13.4% to approximately 51.2 million yards. In the first half of 2015, the average selling price of non-woven material products increased by approximately 19.5% as compared with the corresponding period of 2014, while the total sales revenue increased by approximately 35.4% as compared with the corresponding period of 2014. However, due to rising production costs, the gross profit margin of non-woven materials slightly decreased by approximately 110 basic points on a period-on-period basis to 34.8%. In the first half of 2015, the Group continued to strengthen its cooperation with COROPLAST FRITZ MULLER (a German customer), and thus sales of stitch-bonded wiring tapes for middle and high-end automobiles increased by 80.1% to approximately RMB10.6 million as compared with the corresponding period of 2014. Due to the excellent performance of this product, the Group has established a long-term supply relationship with the German enterprise. In May 2015, the Group entered into an agreement in relation to the purchase of machinery and equipments for the production of stitch-bonded wiring tapes, thus increasing its production capacity of stitch-bonded wiring tapes from approximately 5 million sq.m. to approximately 15 million sq.m.. In June 2015, the Group also entered into a supply agreement with COROPLAST FRITZ MULLER, pursuant to which, the Group is expected to supply approximately 10 million sq.m. of stitch-bonded wiring tapes to this customer for the period from 1 July 2015 to 30 June 2016. The Group will continue to enhance its R&D capabilities, and through continuous development of new terminal products, expansion of production line and refinement of product structure, the Group will accelerate transformation and upgrade of products to increase their technology content and added value with an aim to increase the gross profit margin of our products as well as enhance its market competitiveness.

## Management Discussion and Analysis

### Recycled chemical fibres

As at 30 June 2015, 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 waste PET chips per annum. In the first half of 2015, selling price and gross profit margin of the Group's recycled chemical fibres declined as market demand for recycled chemical fibres continued to be subdued with intense market competition. Sales volume of the Group's recycled chemical fibres in the first half of 2015 decreased by approximately 17.3% as compared with the corresponding period of last year to approximately 7,700 tons, while sales revenue decreased by approximately 24.9% as compared with the corresponding period of last year. In the first half of 2015, average selling price of recycled chemical fibres decreased by approximately 9.2% as compared with the corresponding period of last year, while gross profit margin decreased by approximately 100 basis points on a period-on-period basis to approximately 18.3%. 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.

### 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. Although sales volume of thermal resistant filtration materials of the Group increased by approximately 27.7% on a period-on-period basis to approximately 1.1 million sq.m., sales revenue decreased by approximately 27.2% to RMB28.5 million as a result of a period-on-period decrease of approximately 43.0% in the average selling price due to intensified market competition. Despite the lack of profit contribution from the thermal resistant filtration materials business, the broadening network of sales outlets by the Group will pave the way for product sales and market development in the future. It is believed that the bag-type filtration material sector will keep its growth momentum in the coming year as the PRC government raises the smoke and dust emission standards for pollutant-discharging industries.

### Import of tapioca chips business

Since June 2015, the Group started to import tapioca chips from overseas markets to sell in Mainland China, which contributed sale revenue of approximately RMB30.3 million in the first half of 2015 with sales volume of approximately 20,300 tons and a gross profit margin of approximately 2.9%. Tapioca chips can be used as raw materials for production of ethanol and bio-fuel.

### 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, with an aim to achieve sustainable development. In the future, the Group will further strengthen product R&D. 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 increased R&D investment and proactive initiatives to upgrade product portfolio will enable the Group to build long-term competitiveness. The Group is a Provincial-Level Technology Centre in Fujian and a domestic non-woven material enterprise accredited with SCS Recycled Content Certification. As at 30 June 2015, the Group had 53 patents and was applying for the registration of 26 patents. The Group will continue to reinforce R&D efforts to achieve breakthrough in product development, increase market share of new products with proprietary intellectual property rights on a market-oriented basis and improve the added value of the existing products.

## Management Discussion and Analysis

### FINANCIAL REVIEW

For the six months ended 30 June 2015, the Group's turnover increased by approximately 27.4% to approximately RMB684.0 million while profit attributable to owners of the company increased by approximately 23.8% to approximately RMB127.1 million as compared with the corresponding period in 2014.

#### Turnover

The Group's turnover for the six months ended 30 June 2015 was approximately RMB684.0 million, representing an increase of approximately 27.4% or approximately RMB147.2 million over the corresponding period of last year. The increase in turnover was mainly attributable to increase in the sales volume and average selling price of non-woven materials.

The Group's turnover of non-woven materials for the six months ended 30 June 2015 was approximately RMB563.7 million, representing an increase of approximately 35.4% or approximately RMB147.5 million from the same period of last year. Turnover of recycled chemical fibres was approximately RMB58.7 million, representing a decrease of approximately 24.9% or approximately RMB19.4 million from the same period of last year. Turnover of thermal resistant filtration materials was approximately RMB28.5 million, representing a decrease of approximately 27.2% or approximately RMB10.6 million from the same period of last year. In June 2015, the Group commenced a new business – tapioca chips trading. Turnover of tapioca chips trading was approximately RMB30.3 million for the six months ended 30 June 2015.

During the six months ended 30 June 2015, the Group's export sales to Hong Kong and overseas market accounted for approximately 38.5% (Six months ended 30 June 2014: 13.3%) of the Group's turnover while sales in the PRC (except Hong Kong) accounted for approximately 61.5% (Six months ended 30 June 2014: 86.7%).

During the six months ended 30 June 2015, the Group sold approximately 51.2 million yards of non-woven materials, representing an increase of approximately 13.4% from the same period of last year, and its sales volume of recycled chemical fibres was approximately 7,700 tons, representing a decrease of approximately 17.3% from the same period of last year. The Group sold approximately 1.1 million sq.m. of thermal resistant filtration materials, representing an increase of approximately 27.7% from the same period of last year. The sales volume of tapioca chips was approximately 20,300 tons for the six months ended 30 June 2015.

#### Gross profit and gross profit margin

For the six months ended 30 June 2015, the Group's gross profit was approximately RMB206.4 million, representing an increase of approximately 24.8% or approximately RMB41.0 million as compared with the same period in 2014. The increase in gross profit was mainly driven by the increase in gross profit of non-woven materials segment. The gross profit for the non-woven materials segment accounted for approximately 94.9% of the total gross profit during the six months ended 30 June 2015 (Six months ended 30 June 2014: 90.4%). The gross profit for the recycled chemical fibres segment accounted for approximately 5.2% of the total gross profit during the six months ended 30 June 2015 (Six months ended 30 June 2014: 9.1%). The gross profit for the tapioca chips trading segment accounted for approximately 0.4% of the total gross profit during the six months ended 30 June 2015 (Six months ended 30 June 2014: Nil). The thermal resistant filtration materials segment did not have any profit contribution for the periods ended 30 June 2014 and 2015.

## Management Discussion and Analysis

### Gross profit and gross profit margin (Continued)

The overall gross profit margin of the Group was approximately 30.2%, representing a decrease of approximately 0.6 percentage points as compared to the same period of last year. The gross profit margin for non-woven materials segment decreased from approximately 35.9% for the six months ended 30 June 2014 to approximately 34.8% for the six months ended 30 June 2015. As for the recycled chemical fibres segment, its gross profit margin was approximately 18.3% for the six months ended 30 June 2015, representing a decrease of approximately 1.0 percentage points as compared to the same period of last year. The thermal resistant filtration materials has incurred a segment loss of approximately RMB2.1 million during the current period (Six months ended 30 June 2014: loss of approximately RMB0.3 million). The gross profit margin of tapioca chips was approximately 2.9%. The decrease in gross profit margin for non-woven materials was due to the rising production costs. The decrease in gross profit margin for recycled chemical fibres was principally due to the decrease in unit selling price during the six months ended 30 June 2015.

### Distribution expenses

For the six months ended 30 June 2015, distribution expenses slightly increased by approximately RMB0.7 million as compared to the same period in 2014. Distribution expenses accounted for approximately 1.2% of the Group's turnover for the six months ended 30 June 2015 (Six months ended 30 June 2014: 1.3%).

### Administrative expenses

Administrative expenses for the six months ended 30 June 2015 decreased by approximately RMB4.6 million as compared to the same period in 2014. The administrative expenses accounted for approximately 5.2% of the Group's turnover for the six months ended 30 June 2015 (Six months ended 30 June 2014: 7.5%). The decrease in administrative expenses was mainly due to decrease in staff costs and exchange loss.

### Finance costs

Finance costs for the six months ended 30 June 2015 decreased by approximately RMB1.6 million as compared to the same period in 2014. The decrease in finance costs was mainly due to decrease in average interest rate of the Group's bank borrowings.

### Income tax expense

The Group's effective income tax rate for the six months ended 30 June 2015 was approximately 20.8%, as compared with approximately 20.3% (restated) for the corresponding period in 2014. The effective income tax rate remained stable with that of the first half of last year. Details of the restatement of income tax expense for the period ended 30 June 2014 was disclosed in notes 3 and 6 to the financial statements.

### 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 2015 was approximately RMB127.1 million, representing an increase of approximately 23.8% or approximately RMB24.5 million as compared with the first half of 2014. The Group's net profit margin for the six months ended 30 June 2015 was approximately 18.6%, representing a decrease of approximately 0.5 percentage points as compared with the corresponding period of last year. The decrease in net profit margin was mainly due to the decrease in gross profit margin.

### Earnings per share

The Group's basic earnings per share for the six months ended 30 June 2015 was approximately RMB16.37 cents, representing an increase of approximately 23.8% as compared with the same period in 2014, which was due to an increase in profit attributable to owners of the Company for the period.

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary share for the periods ended 30 June 2014 and 2015.



## Management Discussion and Analysis

### 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\$24.4 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.

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 RMB1,443.6 million (31 December 2014: RMB1,338.8 million) and pledged bank deposits of approximately RMB42.0 million (31 December 2014: RMB42.1 million) as at 30 June 2015. The Group's bank and cash balances were mostly held in Hong Kong dollars ("HK dollars"), United States dollars ("US dollars") 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 2015. 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 2015, the Group's bank borrowings amounted to approximately RMB386.8 million (31 December 2014: RMB365.9 million), of which all of the bank borrowings (31 December 2014: 78.4%) were repayable within one year. The Group's bank borrowings were in HK dollars, US dollars and Renminbi, whilst approximately 62.8% (31 December 2014: 65.2%) of such bank borrowings bore interest at fixed lending rate. As at 30 June 2015, the Group's gearing ratio was approximately 16.7% calculated as bank borrowings divided by total assets (31 December 2014: 16.3%). Net current assets and net assets as at 30 June 2015 were approximately RMB1,375.4 million (31 December 2014: RMB1,344.5 million) and approximately RMB1,691.3 million (31 December 2014: RMB1,604.2 million), respectively.

As at 30 June 2015, certain prepaid land lease payments, buildings and investment properties of the Group with carrying values of approximately RMB57.7 million (31 December 2014: RMB43.2 million), approximately RMB100.5 million (31 December 2014: RMB64.6 million) and approximately RMB3.7 million (31 December 2014: RMB3.9 million), respectively, were pledged to secure general banking facilities granted to the Group.

As at 30 June 2015, the Group did not have any contingent liabilities (31 December 2014: Nil).

### Significant investments and acquisitions

During the six months ended 30 June 2015, the Group acquired property, plant and equipment of approximately RMB2.7 million (Six months ended 30 June 2014: RMB2.9 million) and had not incurred any cost for construction in progress (Six months ended 30 June 2014: RMB0.3 million).

## Management Discussion and Analysis

### **SUBSEQUENT EVENT**

The bonus issue of the Company was completed on 21 August 2015 and a total of 1,552,844,000 shares of the Company were issued under the bonus issue on the basis of two bonus shares for every existing share held by the shareholders of the Company (the "Shareholders") on the record date (i.e. 14 August 2015). As a result of the bonus issue, the number of shares of the Company in issue increased to 2,329,266,000 shares on 21 August 2015.

### **PROSPECTS AND OUTLOOK**

Based on the existing recycling economy industry and through investment in the R&D of industrial filtration materials, high-end non-woven materials and special fibre products, the Group will introduce high-end products with its own characteristics. The Group will be dedicated to promoting industrial upgrade, optimising the mode of production, facilitating product and technology marketing and encouraging creativity and scientific innovation. The new tapioca chips trading business is regarded as the Group's first step to diversify into the biomass energy and resource recycling-based industry businesses. Such diversification of business can enable the Group to broaden its income stream and is in the interest of the Company and its shareholders as a whole. Relying on the improving quality in production, R&D and marketing, we are confident that the Group will continue to develop at a steady pace with the concerted efforts of all staff and supports from our partners, building CECEP COSTIN into a world-leading new materials and recycled materials enterprise. We will exert every effort to create value for the Group and bring satisfactory returns to the shareholders and investors of the Company.

## Other Information

### EMPLOYMENT, TRAINING AND DEVELOPMENT

As at 30 June 2015, the Group had a total of 875 employees (31 December 2014: 1,001). 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 2015. As at 30 June 2015, no share options remained outstanding.

### INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

On 25 August 2015, the board (the "Board") of directors of the Company (the "Directors") has resolved to pay an interim dividend of HK1.2 cents per ordinary share to the Shareholders as recorded on the register of members of the Company on Friday, 23 October 2015. The interim dividend will be paid to the Shareholders on or about Friday, 30 October 2015.

The register of members of the Company will be closed from Tuesday, 20 October 2015 to Friday, 23 October 2015, 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, 19 October 2015.

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

As at 30 June 2015, 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
Mr. 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)
	328,709,190 (L)	42.34%	Interest of other party to an agreement under section 317 of the SFO (Notes 4 and 7)
Mr. 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 5)
	330,979,190 (L)	42.63%	Interest of other party to an agreement under section 317 of the SFO (Notes 6 and 7)

(L): Long Position

Notes:

- 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 Magnus Nominees Limited ("Magnus") as a nominee in favour of Coutts & Co Trustees (Jersey) Limited ("Coutts"). Nian's Investment is a company incorporated in the British Virgin Islands 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 Mr. Chim Wai Kong and Mr. 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 Mr. Chim Wai Kong and Mr. 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.
- Mr. 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.
- 2,270,000 shares are held by Better Prospect Limited ("Better Prospect") which is 100% owned by Mr. Chim Wai Kong. He is therefore deemed to be interested in the 2,270,000 shares held by Better Prospect. Mr. Chim Wai Kong is a director of Better Prospect.
- These 328,709,190 shares are held by Hong Kong (Rong An) Investment Limited ("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, Mr. Chim Wai Kong and Mr. Chim Wai Shing Jackson (the "Shareholders Deed"), Mr. 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.
- Mr. 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.
- These 330,979,190 shares comprise 328,709,190 shares directly held by Hong Kong Rong An and 2,270,000 shares indirectly held by Mr. Chim Wai Kong. As a result of the entering into of the Shareholders Deed, Mr. 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.
- Among these shares, 150,000,000 shares have been pledged by Hong Kong Rong An in favour of the Export-Import Bank of China as security for a loan facility provided by such bank to Hong Kong Rong An.

## 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)**

Save as disclosed above, as at 30 June 2015, 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**

Apart from the Share Option Scheme adopted by the Company on 12 May 2010, at no time during the six months ended 30 June 2015 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors 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 shall be valid and effective for a period of ten years commencing on 12 May 2010. The purpose of the Share Option Scheme is to provide incentives or rewards to any full-time or part-time employee, officer, agent, consultant or representative of the Company or any member of the Group for their contribution to the Group and/or to enable the Group to recruit and retain high calibre employees and attract human resources that are available to the Group. 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.

The acceptance of an offer of the grant of the respective share options must be made within 28 days from the date of offer with a non-refundable payment of HK\$1.00 from each grantee. An option may be exercised at any time during a period to be determined by the Board, which shall not in any event exceed ten years from the date of grant. The Share Option Scheme does not specify any minimum holding period but the Board has the authority to determine the minimum period for which a share option in respect of some or all of the shares forming the subject of the share options must be held before it can be exercised.

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.

## Other Information

### SHARE OPTION SCHEME (CONTINUED)

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 2015. As at 30 June 2015, no share options remained outstanding. As at the respective dates of the 2014 annual report and this interim report, the number of securities of the Company available for issue under the Share Option Scheme was 66,290,000, representing approximately 8.54% of the issued share capital of the Company as at the date of the 2014 annual report and approximately 2.85% of the issued share capital of the Company as at the date of this report as enlarged by the bonus issue.

### 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 2015, 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	328,709,190 (L) 197,110,000 (L)	42.34% 25.38%	Beneficial owner (Note 1) Interest of other party to an agreement under section 317 of the SFO (Note 2)
CECEP Chongqing	525,819,190 (L)	67.72%	Interest of controlled corporation (Note 1)
CECEP	525,819,190 (L)	67.72%	Interest of controlled corporation (Note 1)
Nian's Brother Holding	194,840,000 (L) 330,979,190 (L)	25.09% 42.63%	Beneficial owner (Note 3) Interest of other party to an agreement under section 317 of the SFO (Note 4)
Nian's Investment	525,819,190 (L)	67.72%	Interest of controlled corporation (Note 3)
Magnus	525,819,190 (L)	67.72%	Interest of controlled corporation (Note 5)
Coutts	525,819,190 (L)	67.72%	Trustee (Note 5)

## 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
Export – Import Bank of China	150,000,000 (L)	19.32%	Security interest in shares (Note 6)
Headwell	46,133,000 (L)	5.94%	Beneficial owner (Note 7)
Jin Shu Assets	46,133,000 (L)	5.94%	Interest of controlled corporation (Note 7)
Mr. Liu Shufa	46,133,000 (L)	5.94%	Interest of controlled corporation and family interest (Note 7)
Ms. Wang Juan	46,133,000 (L)	5.94%	Interest of controlled corporation and family interest (Note 7)
Gerfalcon Holding	40,000,000 (L)	5.15%	Beneficial owner (Note 8)
Mr. Hui Cheung Mau	40,000,000 (L)	5.15%	Interest of controlled corporation (Note 8)
	4,020,206 (L)	0.52%	Beneficiary of trust (Note 9)
Mr. Sze Fo Chau	40,000,000 (L)	5.15%	Interest of controlled corporation (Note 8)
	5,852,158 (L)	0.75%	Beneficiary of trust (Note 10)

(L): Long Position

## Other Information

### 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 重慶中節能實業有限責任公司 (CECEP Chongqing Industry Co., Ltd<sup>#</sup>) ("CECEP Chongqing") which is owned as to approximately 98.03% by 中國節能環保集團公司 (China Energy Conservation and Environmental Protection Group<sup>#</sup>) ("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. Hong Kong Rong An has pledged 150,000,000 shares in favour of the Export-Import Bank of China as security for a loan facility provided by such bank to it.
2. These 197,110,000 shares comprise 194,840,000 shares directly held by Nian's Brother Holding and 2,270,000 shares indirectly held by Mr. Chim Wai Kong. 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 330,979,190 shares comprise 328,709,190 shares directly held by Hong Kong Rong An and 2,270,000 shares indirectly held by Mr. 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 Magnus 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, Magnus and Coutts are deemed to be interested in the shares indirectly held by Nian's Investment.
6. These 150,000,000 shares are pledged by Hong Kong Rong An in favour of the Export-Import Bank of China as security for a loan facility provided by the Export-Import Bank of China to Hong Kong Rong An.
7. Headwell Investments Limited ("Headwell") is a wholly-owned subsidiary of Jin Shu Assets Management Limited ("Jin Shu Assets"). For the purpose of Part XV of the SFO, Jin Shu Assets is therefore deemed to be interested in the shares held by Headwell. Jin Shu Assets is owned by Mr. Liu Shufa as to 50% and Ms. Wang Juan as to 50%. Mr. Liu Shufa is the spouse of Ms. Wang Juan. Mr. Liu Shufa and Ms. Wang Juan are deemed to be interested in the shares held by each other.
8. Gerfalcon Holding Limited ("Gerfalcon Holding") is owned by Mr. Hui Cheung Mau as to 50% and Mr. Sze Fo Chau as to 50%.
9. Mr. 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.
10. Mr. 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.

Save as disclosed herein, the Directors are not aware of any person who was, as at 30 June 2015, 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.

<sup>#</sup> The English name is translated for reference only.





## Other Information

### **LOAN AGREEMENT**

On 29 April 2013, the Company as borrower entered into a loan agreement (the "Loan Agreement") with a bank in respect of an unsecured term loan facility of up to HK\$150 million (the "Facility"). The loan shall be repaid by five successive half-yearly instalments, with the first instalment to be paid on the date falling twelve months after the date of the Loan Agreement and the final maturity date of the loan shall be 36 months from the date of the Loan Agreement.

Pursuant to the Loan Agreement, the Company has undertaken to procure that (i) CECEP will at all times beneficially own, whether directly or indirectly, not less than 51% of the entire capital or ownership interest in CECEP Chongqing; (ii) CECEP Chongqing will at all times remain the single largest shareholder of the Company and in any event maintain its beneficial ownership, whether directly or indirectly, of approximately 29% of the entire issued share capital of the Company from time to time; and (iii) CECEP Chongqing will at all times maintain its control over the board of directors of the Company. Such undertaking shall remain in force throughout the continuance of the Loan Agreement and for so long as any sum remains owing thereunder. A breach of the undertaking will constitute an event of default and the bank may declare all outstanding amounts together with accrued interest under the Loan Agreement to be immediately due and payable and/or declare the Facility terminated.

### **CONNECTED AND RELATED PARTIES TRANSACTIONS**

Details of the related parties transactions of the Group during the year ended 31 December 2014 and the six months ended 30 June 2015 are set out in note 31 to the consolidated financial statements in the 2014 annual report of the Company and note 14 to the condensed financial statements in this report, respectively, and the related parties transactions set out in note 31(a) to (d) to the consolidated financial statements in the 2014 annual report and in note 14(a) to (d) to the condensed financial statements in this report also constituted continuing connected transactions as defined in Chapter 14A of the Listing Rules. The Company has complied with the applicable requirements of Chapter 14A of the Listing Rules in respect of the continuing connected transactions.

### **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES**

During the six months ended 30 June 2015, 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 2015.

### **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 2015.

## Other Information

### **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. Feng Xue Ben (independent non-executive Director) and Mr. Xu Qinghua (independent non-executive Director).

The Group's unaudited interim report for the six months ended 30 June 2015 has been reviewed by the Audit Committee, which is of the opinion that such interim 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 2015 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**

**Wang Li**

*Co-Chairman*

Hong Kong, 25 August 2015

**Chim Wai Kong**

*Co-Chairman*

# 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 32 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 2015 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 inquiries, 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

25 August 2015

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2015

	Note	Six months ended 30 June	
		2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited) (restated)
<b>Turnover</b>	4	<b>684,015</b>	536,824
Cost of goods sold		<b>(477,576)</b>	(371,394)
<b>Gross profit</b>		<b>206,439</b>	165,430
Other income		<b>6,701</b>	21,422
Distribution expenses		<b>(7,880)</b>	(7,179)
Administrative expenses		<b>(35,833)</b>	(40,402)
<b>Profit from operations</b>		<b>169,427</b>	139,271
Finance costs	5	<b>(8,828)</b>	(10,458)
<b>Profit before tax</b>		<b>160,599</b>	128,813
Income tax expense	6	<b>(33,472)</b>	(26,143)
<b>Profit for the period attributable to owners of the Company</b>	7	<b>127,127</b>	102,670
<b>Other comprehensive income after tax</b>			
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<b>(164)</b>	(1,227)
<b>Other comprehensive income for the period, net of tax</b>		<b>(164)</b>	(1,227)
<b>Total comprehensive income for the period attributable to owners of the Company</b>		<b>126,963</b>	101,443
		<b>RMB</b>	RMB
<b>Earnings per share</b>	9		
Basic		<b>16.37 cents</b>	13.22 cents

# Condensed Consolidated Statement of Financial Position

At 30 June 2015

	Note	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	367,665	391,312
Construction in progress	10	68	68
Investment properties		9,460	9,821
Prepayments for acquisition of property, plant and equipment		13,878	9,463
<b>Total non-current assets</b>		<b>391,071</b>	410,664
<b>Current assets</b>			
Inventories		119,470	99,165
Trade and bills receivables	11	320,211	349,120
Prepayments, deposits and other receivables		5,631	8,701
Pledged bank deposits		42,027	42,100
Bank and cash balances		1,443,628	1,338,775
<b>Total current assets</b>		<b>1,930,967</b>	1,837,861
<b>TOTAL ASSETS</b>		<b>2,322,038</b>	2,248,525
<b>EQUITY AND LIABILITIES</b>			
Share capital	13	68,475	68,475
Reserves		1,622,847	1,535,683
<b>Total equity</b>		<b>1,691,322</b>	1,604,158
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank borrowings		–	79,147
Deferred tax liabilities		75,175	71,889
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>75,175</b>	151,036

## Condensed Consolidated Statement of Financial Position

At 30 June 2015

	Note	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
<b>Current liabilities</b>			
Trade and bills payables	12	116,378	119,852
Accruals and other payables		41,031	70,711
Bank borrowings		386,827	286,769
Current tax liabilities		11,305	15,999
<b>Total current liabilities</b>		<b>555,541</b>	493,331
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,322,038</b>	2,248,525

Approved by the Board of Directors on 25 August 2015.

**Wang Li**  
Director

**Chim Wai Kong**  
Director

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

	<i>(Unaudited)</i>							
	<i>Share capital</i>	<i>Share premium account</i>	<i>Foreign currency translation reserve</i>	<i>Statutory reserve</i>	<i>Capital reserve</i>	<i>Merger reserve</i>	<i>Retained profits</i>	<i>Total</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2014	68,475	240,477	(10,218)	178,653	20,934	79,974	821,299	1,399,594
Total comprehensive income for the period	-	-	(1,227)	-	-	-	102,670	101,443
Dividends paid (note 8)	-	-	-	-	-	-	(39,869)	(39,869)
Changes in equity for the period	-	-	(1,227)	-	-	-	62,801	61,574
At 30 June 2014	68,475	240,477	(11,445)	178,653	20,934	79,974	884,100	1,461,168
At 1 January 2015	<b>68,475</b>	<b>240,477</b>	<b>(10,574)</b>	<b>185,841</b>	<b>20,934</b>	<b>79,974</b>	<b>1,019,031</b>	<b>1,604,158</b>
Total comprehensive income for the period	-	-	(164)	-	-	-	127,127	126,963
Dividends paid (note 8)	-	-	-	-	-	-	(39,799)	(39,799)
Changes in equity for the period	-	-	(164)	-	-	-	87,328	87,164
At 30 June 2015	<b>68,475</b>	<b>240,477</b>	<b>(10,738)</b>	<b>185,841</b>	<b>20,934</b>	<b>79,974</b>	<b>1,106,359</b>	<b>1,691,322</b>

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

	<i>Six months ended 30 June</i>	
	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>133,932</b>	30,674
<b>NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES</b>	<b>(9,875)</b>	2,899
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(18,922)</b>	(59,454)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>105,135</b>	(25,881)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>1,338,775</b>	1,105,204
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	<b>(282)</b>	691
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY</b>	<b>1,443,628</b>	1,080,014
Bank and cash balances	<b>1,443,628</b>	1,080,014



# Notes to the Condensed Financial Statements

For the six months ended 30 June 2015

## 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 2014 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 2014.

## 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 2015. 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.

## 3. RESTATEMENT OF PRIOR PERIOD ESTIMATION

- (i) Xinhua Share Co., Ltd. Fujian ("Xinhua Co.") was recognised as an advanced technology enterprise (高新技術企業, "ATE") 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. Xinhua Co. applied for a renewal of ATE during the year 2013. As at the date of the interim results announcement of the Company for the six months ended 30 June 2014, the application of the ATE status of Xinhua Co. had not yet been approved and therefore Xinhua Co. adopted the People's Republic of China (the "PRC") enterprise income tax (the "PRC EIT") rate of 25% in the interim results announcement for the six months ended 30 June 2014. The renewal of the ATE status was finally approved by the relevant PRC government authorities on 14 August 2014 and as such the PRC EIT rate of Xinhua Co. changed from 25% to 15% with effect from 1 January 2014. 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 2014 and income tax liabilities of the Group as at 30 June 2014 have been restated and decreased by approximately RMB12,822,000.
- (ii) 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%. 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 a result, the provision for withholding tax made for the Company's PRC subsidiaries would be different because of the increased net profit explained in (i) above. As the restatement of income tax expenses of Xinhua Co. for the six months ended 30 June 2014 would increase the distributable retained profits of Xinhua Co. by RMB12,822,000 and hence the deferred tax expenses of the Group for the six months ended 30 June 2014 and the deferred tax liabilities of the Group as at 30 June 2014 would increase by approximately RMB641,000, applying a 5% withholding tax rate.

The financial results of the Group for the year ended 31 December 2014 have already adopted the PRC EIT rate of 15% for Xinhua Co. and therefore no restatement would be required.

## Notes to the Condensed Financial Statements

For the six months ended 30 June 2015

### 4. SEGMENT INFORMATION

Since June 2015, the Group started to import tapioca chips from overseas markets to sell in Mainland China. A new operating and reportable segment, Tapioca chips trading, was commenced for the current period.

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

	<i>Non-woven materials</i> RMB'000 (unaudited)	<i>Recycled chemical fibres</i> RMB'000 (unaudited)	<i>Thermal resistant filtration materials</i> RMB'000 (unaudited)	<i>Tapioca chips trading</i> RMB'000 (unaudited)	<i>Others</i> RMB'000 (unaudited)	<i>Total</i> RMB'000 (unaudited)
<b>Six months ended 30 June 2015:</b>						
Revenue from external customers	563,653	58,653	28,490	30,258	2,961	684,015
Intersegment revenue	680	2,924	-	-	-	3,604
Segment profit/(loss)	195,920	10,751	(2,059)	882	945	206,439
<b>At 30 June 2015:</b>						
Segment assets	136,450	40,260	140,351	-	5,169	322,230
<b>Six months ended 30 June 2014:</b>						
Revenue from external customers	416,143	78,099	39,124	-	3,458	536,824
Intersegment revenue	306	5,804	-	-	-	6,110
Segment profit/(loss)	149,576	15,057	(321)	-	1,118	165,430
	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)
<b>At 31 December 2014:</b>						
Segment assets	153,972	50,868	138,508	-	4,532	347,880

#### (b) Reconciliations of segment profit or loss:

	<i>Six months ended 30 June</i>	
	<i>2015</i>	<i>2014</i>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Total profit or loss of reportable segments	206,439	165,430
Unallocated amounts:		
Other income	6,701	21,422
Distribution expenses	(7,880)	(7,179)
Administrative expenses	(35,833)	(40,402)
Finance costs	(8,828)	(10,458)
Consolidated profit before tax	160,599	128,813

## Notes to the Condensed Financial Statements

For the six months ended 30 June 2015

### 5. FINANCE COSTS

	<i>Six months ended 30 June</i>	
	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Finance lease charges	–	4
Interest expense on bank borrowings	<b>8,828</b>	10,454
	<b>8,828</b>	10,458

### 6. INCOME TAX EXPENSE

	<i>Six months ended 30 June</i>	
	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
		(restated)
Current tax		
– PRC EIT	<b>26,337</b>	20,350
Deferred tax	<b>7,135</b>	5,793
	<b>33,472</b>	26,143

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.

On 14 August 2014, Xinhua Co. was recognised as an ATE and is entitled to enjoy an income tax concession at a preferential rate of 15% effective from 1 January 2014. Applicable PRC EIT rate of 15% has been applied for the provision of income tax expenses for three years from 1 January 2014 to 31 December 2016.

On 26 December 2014, Xinhua Co. was also recognised as a comprehensive resources utilisation enterprise (資源綜合利用企業) and was eligible to apply for an income tax concession for exemption of 10% of the turnover from recycled chemical fibres for two years from 1 January 2014 to 31 December 2015.

No provision for Hong Kong profits tax has been made in the financial statements since the subsidiaries of the Company incorporated in Hong Kong either have no assessable profits or have sufficient tax losses brought forward to set off against current period's assessable profits for the periods ended 30 June 2014 and 2015.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

## Notes to the Condensed Financial Statements

For the six months ended 30 June 2015

### 7. PROFIT FOR THE PERIOD

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

	<b>Six months ended 30 June</b>	
	<b>2015</b>	<b>2014</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Gain on disposals of property, plant and equipment	(10)	(44)
Government grants	(1,135)	(17,236)
Interest income	(4,229)	(2,692)
Rental income	(1,035)	(1,302)
Cost of inventories sold	477,576	371,394
Depreciation of property, plant and equipment	26,309	25,070
Depreciation of investment properties	361	538
Directors' remuneration		
Salaries, bonus and allowances	1,945	1,919
Retirement benefits scheme contributions	14	12
	1,959	1,931
Net exchange loss	94	1,781
Operating leases charges in respect of land and buildings	1,851	2,592
Research and development expenditure	4,322	4,992
Staff costs (excluding directors' remuneration)		
Salaries, bonus and allowances	24,469	29,341
Retirement benefits scheme contributions	496	391
	24,965	29,732

### 8. DIVIDENDS

	<b>Six months ended 30 June</b>	
	<b>2015</b>	<b>2014</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Interim dividend declared – HK\$1.2 cents (equivalent to RMB1.0 cents)* (2014: HK\$3.5 cents (equivalent to RMB2.8 cents)) per ordinary share	22,431	21,617
Final dividend for the year ended 31 December 2014 approved and paid – HK\$6.5 cents (equivalent to RMB5.1 cents) (2013: HK\$6.5 cents (equivalent to RMB5.1 cents)) per ordinary share	39,799	39,869
	62,230	61,486

\* On 25 June 2015, the Company proposed to issue bonus shares on basis of two bonus shares for every one existing share on 21 August 2015 ("Bonus Issue"). The Bonus Issue was approved by the shareholders of the Company at the Extraordinary General Meeting held on 7 August 2015. The number of ordinary shares of the Company has changed from 776,422,000 to 2,329,266,000 after completion of the Bonus Issue on 21 August 2015. The amount of Interim dividend declared per ordinary share was determined on the number of ordinary shares after the Bonus Issue.

The interim dividend has not been recognised as a liability as at 30 June 2015.

## Notes to the Condensed Financial Statements

For the six months ended 30 June 2015

### 9. EARNINGS PER SHARE

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

	<i>Six months ended 30 June</i>	
	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
		(restated)
<b>Earnings</b>		
Earnings for the purpose of calculating basis earnings per share – profit attributable to owners of the Company	<b>127,127</b>	102,670
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<b>776,422,000</b>	776,422,000

No diluted earnings per share was presented as the Company did not have any dilutive potential ordinary share for the periods ended 30 June 2014 and 2015.

### 10. PROPERTY, PLANT AND EQUIPMENT AND CONSTRUCTION IN PROGRESS

During the six months ended 30 June 2015, the Group acquired property, plant and equipment of approximately RMB2,662,000 (Six months ended 30 June 2014: RMB2,934,000) and had not incurred any cost for construction in progress (Six months ended 30 June 2014: RMB321,000).

### 11. TRADE AND BILLS RECEIVABLES

	<b>30 June</b>	31 December
	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(audited)
Trade receivables	<b>340,084</b>	369,453
Less: Allowance for doubtful debts	<b>(21,784)</b>	(21,784)
	<b>318,300</b>	347,669
Bills receivables	<b>1,911</b>	1,451
	<b>320,211</b>	349,120

The Group normally allows credit terms to customers ranging from 30 to 180 days (At 31 December 2014: 30 to 180 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.

## Notes to the Condensed Financial Statements

For the six months ended 30 June 2015

### 11. TRADE AND BILLS RECEIVABLES (CONTINUED)

The aging analysis of the Group's trade receivables, based on the delivery date, and net of allowances, is as follows:

	<b>30 June 2015 RMB'000 (unaudited)</b>	<i>31 December 2014 RMB'000 (audited)</i>
0-30 days	<b>140,532</b>	183,400
31-60 days	<b>73,228</b>	105,366
61-90 days	<b>58,019</b>	24,715
91-120 days	<b>12,346</b>	3,565
121-150 days	<b>2,374</b>	6,166
151-180 days	<b>1,602</b>	6,464
Over 180 days	<b>30,199</b>	17,993
	<b>318,300</b>	347,669

### 12. TRADE AND BILLS PAYABLES

	<b>30 June 2015 RMB'000 (unaudited)</b>	<i>31 December 2014 RMB'000 (audited)</i>
Trade payables	<b>104,378</b>	107,852
Bills payables	<b>12,000</b>	12,000
	<b>116,378</b>	119,852

The Group normally obtains credit terms ranging from 45 to 90 days (At 31 December 2014: within 120 days) from its suppliers.

## Notes to the Condensed Financial Statements

For the six months ended 30 June 2015

### 12. TRADE AND BILLS PAYABLES (CONTINUED)

The aging analysis of the Group's trade payables, based on the date of receipt of goods, is as follows:

	<b>30 June 2015 RMB'000 (unaudited)</b>	<i>31 December 2014 RMB'000 (audited)</i>
0-30 days	<b>40,611</b>	58,968
31-60 days	<b>39,656</b>	29,856
61-90 days	<b>8,588</b>	8,507
91-120 days	<b>7,092</b>	5,118
121-150 days	<b>227</b>	770
151-180 days	<b>1,789</b>	1,534
Over 180 days	<b>6,415</b>	3,099
	<b>104,378</b>	107,852

### 13. SHARE CAPITAL

	<i>Number of shares</i>	<i>Amount HK\$</i>	<i>Amount as presented RMB</i>
<b>Authorised:</b>			
Ordinary shares of HK\$0.1 each			
At 1 January 2014 (audited),			
31 December 2014 (audited),			
1 January 2015 and 30 June 2015 (unaudited)	2,000,000,000	200,000,000	176,000,000
<b>Ordinary shares, issued and fully paid:</b>			
At 1 January 2014 (audited), 31 December 2014 (audited),			
1 January 2015 and 30 June 2015 (unaudited)	776,422,000	77,642,200	68,474,747

## Notes to the Condensed Financial Statements

For the six months ended 30 June 2015

### 14. 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:

	<i>Six months ended 30 June</i>	
	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Sales of finished goods to related companies	<b>63</b>	32
Purchases of raw materials from a related company	<b>13,024</b>	21,999
Rental expenses charged by related companies	<b>1,120</b>	1,120

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

	<b>30 June</b>	31 December
	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(audited)
Trade receivables from related companies	<b>288</b>	602
Trade deposit paid to a related company	<b>99</b>	–
Trade payable to a related company	–	2,349
Other payable to the immediate holding company	<b>1,000</b>	1,000

- (c) At 30 June 2015, certain related companies have guaranteed certain banking facilities granted to the Group in the amount of approximately RMB283,000,000 (At 31 December 2014: RMB283,000,000).
- (d) At 30 June 2015, certain directors and related parties have jointly guaranteed the banking facilities granted to the Group in the amount of RMB300,000,000 (At 31 December 2014: RMB300,000,000).



## Notes to the Condensed Financial Statements

For the six months ended 30 June 2015

### 14. RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Remuneration of key management personnel:

	<i>Six months ended 30 June</i>	
	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Salaries, bonus and allowances		
– Directors	<b>1,945</b>	1,919
– Key management	<b>995</b>	968
Sub-total	<b>2,940</b>	2,887
Retirement benefits scheme contributions		
– Directors	<b>14</b>	12
– Key management	<b>7</b>	6
Sub-total	<b>21</b>	18
Total	<b>2,961</b>	2,905

### 15. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2015 (At 31 December 2014: Nil).

### 16. CAPITAL COMMITMENTS

	<b>30 June</b>	31 December
	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(audited)
<b>Contracted but not provided for</b>		
Construction in progress	<b>630</b>	1,420
Property, plant and equipment	<b>15,498</b>	10,025
	<b>16,128</b>	11,445

### 17. EVENT AFTER THE REPORTING PERIOD

The Bonus Issue was completed on 21 August 2015 and a total of 1,552,844,000 shares of the Company were issued under the Bonus Issue on the basis of two bonus shares for every existing share held by the shareholders of the Company on the record date (i.e. 14 August 2015). As a result of the Bonus Issue, the number of shares of the Company in issue increased to 2,329,266,000 shares on 21 August 2015.

### 18. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 25 August 2015.