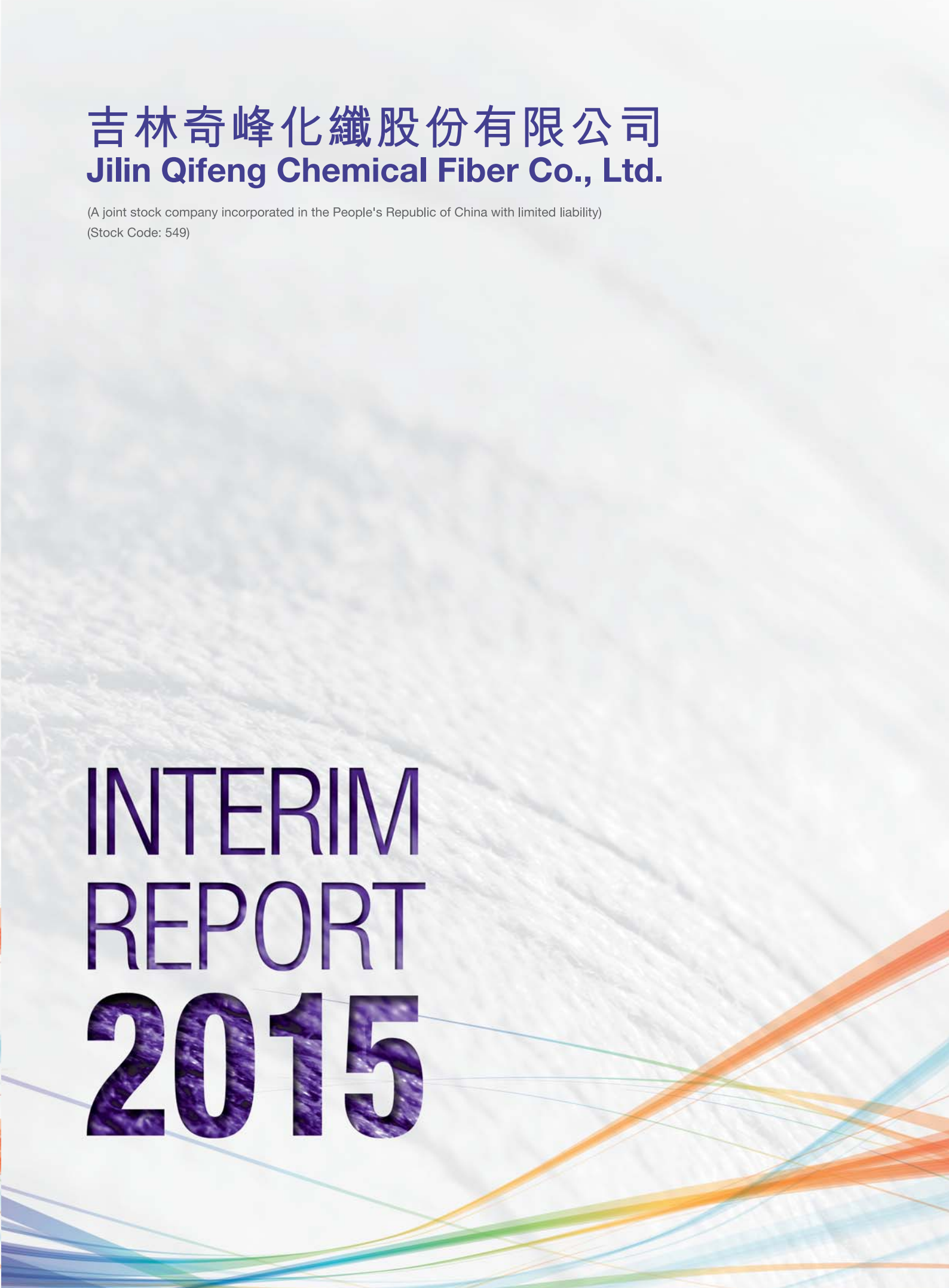


吉林奇峰化纖股份有限公司 Jilin Qifeng Chemical Fiber Co., Ltd.

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 549)

INTERIM REPORT 2015





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DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of directors of the Company
“China” or the “PRC”	the People’s Republic of China
“Company”	吉林奇峰化纖股份有限公司 (Jilin Qifeng Chemical Fiber Co., Ltd.), a foreign invested joint stock limited company established in the PRC with limited liability
“Directors”	the directors of the Company
“Jimont”	Jilin Jimont Acrylic Fiber Co., Ltd., a joint venture of the Company
“Group”	the Company and its subsidiary
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Period”	The six months ended 30 June 2015
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance, Cap. 571, Laws of Hong Kong
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

FINANCIAL SUMMARY

	For the six months ended 30 June		
	(Unaudited) 2015 RMB'million	(Unaudited) 2014 RMB'million (restated)	Change %
Revenue	947.0	871.8	9
Gross profit	140.1	62.4	125
Operating profit	118.1	57.6	105
Share of loss of a joint venture	(0.4)	(15.0)	(97)
Loss for the period from discontinued operation	(24.8)	(21.0)	18
Profit/(loss) for the period attributable to owners of the Company	6.0	(50.9)	N/A
Profit/(loss) per share (RMB cents per share)	0.69	(5.88)	N/A
Gross profit margin	14.8%	7.2%	7.6 p.p.
Net profit/(loss) margin	0.6%	(5.8%)	6.4 p.p.
	As at 30 June 2015	As at 31 December 2014	
Current ratio	73%	64%	9 p.p.
Gearing ratio	74%	77%	(3 p.p.)

p.p - percentage point

FINANCIAL AND BUSINESS HIGHLIGHTS

- Profit for the Period attributable to owners of the Company was approximately RMB6.0 million, as compared to a net loss of approximately RMB50.9 million for the same period in 2014.
- Revenue for the Period was approximately RMB947.0 million, representing an increase of approximately 9% as compared to the same period in 2014, which was mainly attributable to the increase in sales volume of acrylic fiber products.
- The overall gross profit margin of the Group increased from 7.2% for the first six months in 2014 to 14.8% for the Period.
- Production plant operated at an overall utilisation rate of approximately 95% for the Period (2014: 84%).
- The Group's share of 50% of the loss of Jimont for the Period under the equity method amounted to approximately RMB0.4 million (2014: RMB15 million).

MANAGEMENT DISCUSSION AND ANALYSIS

MAJOR OPERATIONAL DATA

1. Revenue

	For the six months ended 30 June			
	2015		2014	
	RMB million	%	RMB million (restated)	%
Continuing operation				
Acrylic top	385.0	40.7	362.8	41.6
Acrylic tow	199.3	21.0	193.2	22.2
Acrylic staple fiber	361.6	38.2	311.8	35.8
Others*	1.1	0.1	4.0	0.4
Total	947.0	100.0	871.8	100.0

	For the six months ended 30 June			
	2015		2014	
	RMB million	%	RMB million (restated)	%
Discontinued operation				
Carbon fiber precursor (Note)	46.6	100.0	18.8	100.0

2. Sales volume

	For the six months ended 30 June			
	2015		2014	
	Tons	%	Tons (restated)	%
Continuing operation				
Acrylic top	26,883	38.4	22,894	40.5
Acrylic tow	15,416	22.0	12,871	22.8
Acrylic staple fiber	27,661	39.5	20,485	36.2
Others*	33	0.1	261	0.5
Total	69,993	100.0	56,511	100.0

	For the six months ended 30 June			
	2015		2014	
	Tons	%	Tons	%
Discontinued operation				
Carbon fiber precursor (Note)	1,043	100.0	470	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

3. Average selling price and gross profit margin

	For the six months ended 30 June			
	2015		2014	
	Average selling price	Gross profit margin	Average selling price	Gross Profit Margin
	RMB/ton	%	RMB/ton	%
Continuing operation			(restated)	
Acrylic top	14,320	16.82	15,849	7.45
Acrylic tow	12,925	10.82	15,013	7.24
Acrylic staple fiber	13,074	14.83	15,220	6.92
Overall gross profit margin		14.80		7.16

	For the six months ended 30 June			
	2015		2014	
	Average selling price	Gross profit margin	Average selling price	Gross Profit Margin
	RMB/ton	%	RMB/ton	%
Discontinued operation				
Carbon fiber precursor (Note)	44,706	16.54	39,979	(11.78)

* Refer to sales of acrylic fiber scrap and other acrylic fiber product

Note:

On 26 June 2015, the Group entered into an equity transfer agreement with Jilin City Guosheng Asset Management Co., Ltd. (the "Purchaser"), pursuant to which, the Group agreed to dispose its 100% entire interest in Jilin Tangu Carbon Fiber Co., Ltd. ("Tangu") at a contract amount of RMB158,840,000. On 30 June 2015, the equity transfer agreement became effective under the approval of the disposal by the State-owned Assets Supervision & Administration Commission of the People's Government of Jilin City. Tangu was engaged in the development, production, and sales of carbon fiber products in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW AND OUTLOOK

Market Review

According to the published data from the National Bureau of Statistics of China, the economic growth rate in China for the six months ended 30 June 2015 was 7.0%, which was slightly slower as compared to the same period in 2014. China's economic growth was slowing down and the market condition remained challenging. The PRC government has continued its economic reforms to ensure its persistent and long term economic growth. The global economy was still full of uncertainties. In respect of the acrylic fiber industry, demand for acrylic fiber products from domestic acrylic fiber manufacturers increased because of the favourable impact from the decline in imported acrylic products from overseas suppliers during the six months ended 30 June 2015. Meanwhile, overall production capacity for acrylonitrile (the major raw material of the acrylic fiber) increased as a result of the new additions of acrylonitrile production facilities in China during the Period, which effectively alleviated the pressure of supply of the raw material, acrylonitrile. Average price of acrylonitrile decreased accordingly and profitability of the acrylic fiber manufacturing industry improved during the Period.

Sales Review

For the six months ended 30 June 2015, the Group's continuing operation recorded sales revenue of approximately RMB947.0 million, representing an increase of approximately 9% as compared to the same period in 2014. Sales volume during the Period was 69,993 tons, representing an increase of approximately 24% as compared to the same period in 2014. The average selling price of the Group's acrylic fiber products decreased from RMB15,426 per ton in the first half of 2014 to approximately RMB13,530 per ton in the Period, representing a decrease of approximately 12%. As the Group disposed of the business of carbon fiber products on 30 June 2015, no sales of carbon fiber products was included in the continuing operation for the period under review.

Operations Review

For the six months ended 30 June 2015, the Group's total production volume of acrylic product was 65,691 tons (2014: 58,470 tons), representing an increase of approximately 12% as compared to the same period last year. The overall utilisation rate of the Group's production facilities during the Period was approximately 97% (2014: 86%).

During the Period, the Group strengthened its innovation, research and development, and quality control capabilities to improve its product quality and production technology. The Group continued to improve the product quality of its differentiated acrylic fiber and completed the research and development of vinegar nitrile fiber during the Period. The Group's production department also organized various professional seminars, analyst meetings and exchanged experiences with external organizations to increase the quality awareness of operating staff, which effectively improved the stability of our product quality.

On 30 June 2015, taking in account the fact that Tangu has been loss making from its business operation since 2010 and is not expected to contribute significant income for the Company in at least the short term, the Company disposed of Tangu to streamline the business and commit the available resources of the Group to its existing and prospective businesses.

Human Resources

As at 30 June 2015, the Group had 1,837 employees (excluding employees worked in the discontinued operation). Staff remuneration packages were determined with reference to prevailing market practices (including a performance-based incentive bonus). The Group also provided ongoing training schemes to its staff at all levels and encouraged multiple skills for one position. For the six months ended 30 June 2015, the Group provided trainings to its employees in various areas, including production technology, product quality controls, production operation processes, production safety and environmental protection.

Outlook

Looking forward, with the development of the PRC economy and textile industry as well as the economic reforms as implemented by the PRC government, the Group expects the following new opportunities and prospects for its business:

1. Development of differentiated acrylic fiber: The Group will commit to further developing differentiated acrylic fiber to enhance its competitiveness in the PRC differentiated acrylic fiber products market. The management believes that differentiated fiber products will become one of the major driving forces in the future development of acrylic fibers in the PRC. The Group is positioned to seize new business opportunities to further enhance the Group's profitability.
2. Favourable raw material supply condition: Due to the production expansion plan of certain PRC acrylonitrile manufacturers, the total supply of the Group's major raw material, acrylonitrile, in China is expected to further increase substantially in the foreseeable future. Coupled with the significant decline in the international crude oil price, the Group expects the shortage in supply of acrylonitrile will be further alleviated.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS

OPERATION RESULTS

For the six months ended 30 June 2015, the continuing operation's revenue of the Group was approximately RMB947.0 million, representing an increase of approximately 9% as compared to approximately RMB871.8 million for the same period in 2014. The increase in revenue was mainly attributable to the net effect of the increase of approximately 24% in sales volume and the approximately 12% decrease in the average selling price of the Group's products. During the Period, the Group's total sales volume and production volume were 69,993 tons and 65,691 tons, respectively, resulting in a sales-to-production ratio of approximately 107% (2014: 97%). For the six months ended 30 June 2015, profit attributable to owners of the Company was approximately RMB6.0 million, as compared to the loss attributable to owners of the Company of approximately RMB50.9 million for the same period in 2014. The price difference between the average selling price of the Group's acrylic fiber products and the purchase price of the Group's major material, acrylonitrile, increased from RMB3,802 per ton for the six months ended 30 June 2014 to RMB5,795 per ton for the six months ended 30 June 2015. The Group's share of 50% of the loss of its joint venture amounted to RMB0.4 million as compared to a loss of RMB15.0 million for the same period last year. The Group disposed of its carbon fiber business and recorded a loss amounting to approximately RMB18.1 million during the Period.

Operating expenses (including distribution costs and administrative expenses)

Operating expenses of the Company increased to approximately RMB69.1 million for the six months ended 30 June 2015 from approximately RMB56.0 million for the same period in 2014. The increase was mainly due to increase in sales volume which resulted in an increase in transportation costs during the Period.

Other net income and gains (representing the aggregated net amount of other income, other expenses and other gains/(losses)-net)

Other net income and gains of the Company decreased from approximately RMB51.3 million for the six months ended 30 June 2014 to approximately RMB47.1 million for the Period. The decrease in other net income was mainly due to the decrease in income from provision of utilities.

Net finance costs

Net finance costs of the Company decreased to approximately RMB63.3 million for the six months ended 30 June 2015 from approximately RMB68.9 million for the same period in 2014. The decrease in finance costs was mainly resulted from the decrease in short-term bank borrowings for the Period.

Share of results of a joint venture

For the six months ended 30 June 2015, the 50% of loss of Jimont attributable to the Group under the equity method was approximately RMB0.4 million (2014: RMB15.0 million). The improvement in profitability was mainly due to the increase in gross profit margin for the Period.

Financial resources, liquidity and liability position

As at 30 June 2015, the Group's total assets and total liabilities were approximately RMB2.5 billion and RMB1.9 billion, respectively. As at 30 June 2015, the Group's current liabilities exceeded its current assets by approximately RMB451.0 million, and its current ratio (calculated as current assets divided by current liabilities) was approximately 0.73 (At 31 December 2014: 0.64). The liquidity of the Group was primarily dependent on its ability to generate adequate cash inflows from operating activities and its ability to obtain external financing and refinancing. The Group had bank and cash balances of approximately RMB300.1 million (including restricted bank deposits of approximately RMB133.8 million) as at 30 June 2015. As at 30 June 2015, the total bank borrowings of the Group amounted to approximately RMB1.5 billion, of which approximately RMB1.2 billion were short-term bank borrowings, and current portion of long-term borrowings and non-current portion of long-term bank borrowings were RMB98.7 million and RMB170.2 million respectively. The Directors are confident that the Group can renew the borrowings with the banks upon their original maturities and have sufficient financial resources available to meet its liabilities as and when they fall due. Please refer to note 2 of financial statements for the Period for further details. Since all of the Group's bank borrowings were denominated in RMB and currently the portion of revenue derived from export operations was relatively insignificant, the management believes that the Group was exposed to limited foreign exchange risk, and hence it had not made any foreign currency hedging arrangement. As at 30 June 2015, the Group's gearing ratio (calculated as total liabilities divided by total assets) was approximately 73.8% (At 31 December 2014: 77.3%).

STATUS OF INVESTMENTS

Joint venture

A joint venture, Jimont, was established on 21 December 2005 and as at 30 June 2015, was currently held by the Group as to 50%, Montefibre S.p.A as to 39.36% and SIMEST S.p.A as to 10.64% in equity interest, respectively. Jimont is mainly engaged in the manufacturing and sales of acrylic fiber products with an annual production capacity of 108,000 tons. As disclosed in the announcement of the Company dated 18 December 2013 and 13 March 2015, the Company has been notified by Montefibre of its intention to enter into voluntary winding up, and that as part of its voluntary winding up, Montefibre proposed to sell 50% of the equity interest in Jimont to a third party purchaser and the Company has resolved not to exercise its Right of First Refusal to acquire the 50% equity interest in Jimont at a price equal to or higher than RMB100,000,000. For the six months ended 30 June 2015, the sales and production volumes of the joint venture were 57,094 tons and 54,304 tons, respectively, with a sales-to-production ratio of approximately 105%. The plant utilisation rate of Jimont during the current period was approximately 100%. Its net loss for the Period was approximately RMB0.8 million (2014: RMB30.0 million). The decrease of net loss as compared to the same period in the previous year was mainly attributable to an increase in gross profit margin.

MANAGEMENT DISCUSSION AND ANALYSIS

Disposal of a subsidiary (Discontinued operation)

On 26 June 2015, the Group entered into an equity transfer agreement with Jilin City Guosheng Asset Management Co., Ltd. (the “Purchaser”), pursuant to which, the Group agreed to dispose its 100% entire interest in Jilin Tangu Carbon Fiber Co., Ltd. (“Tangu”) at a contract amount of RMB158,840,000. On 30 June 2015, the equity transfer agreement became effective under the approval of the disposal by the State-owned Assets Supervision & Administration Commission of the People’s Government of Jilin City. Tangu was engaged in the development, production, and sales of carbon fiber products in the PRC. The Group recorded a loss on disposal of approximately RMB18.1 million.

Entrusted deposits and pledged time deposits

As at 30 June 2015, the Group did not hold any deposits under trusts in any financial institutions in the PRC. All of the Group’s cash was held in commercial banks in the PRC in accordance with applicable laws and regulations. Except the restricted bank deposits of approximately RMB133.8 million, the Group had no other bank deposits which cannot be freely withdrawn.

Pledged assets

As of 30 June 2015, certain properties, plants and equipment and bills receivables with a net book value of approximately RMB276.2 million and RMB56.7 million respectively (as of 31 December 2014: RMB416.1 million and RMB172.3 million, respectively) were pledged as securities for bank borrowings of approximately RMB325.2 million (as of 31 December 2014: RMB482.6 million). In addition, bank deposits of approximately RMB44.0 million and RMB0.5 million (as of 31 December 2014: RMB89.0 million and RMB0.7 million) was pledged for the issue of certain trade bills payable and letters of credit for the Group’s purchases of raw materials, plant and machinery from certain overseas suppliers, respectively.

Contingent liabilities

The Group had no material contingent liabilities as at 30 June 2015.

Dividend

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2015 (2014: Nil).

INFORMATION OF SHARE CAPITAL AND SUBSTANTIAL SHAREHOLDERS

SHARE CAPITAL

As at 30 June 2015, there was a total issued share capital of 866,250,000 shares of the Company (the “Shares”) which include:

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

As at 30 June 2015, the following persons (not being Director, supervisor or chief executive of the Company), so far as are known to all directors of the Company have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholders	Number of shares directly and indirectly held	Class of Shares	Approximate percentage in relevant class of shares (%)			Approximate percentage in total issued share capital (%)		
			Direct interests	Indirect interests	Aggregate interests	Direct interests	Indirect interests	Aggregate interests
吉林化纖集團有限責任公司 (Jilin Chemical Fiber Group Co., Ltd.)	433,229,558	Domestic Shares	99.13	—	99.13	50.01	—	50.01
吉林市城市建設控股集團有限公司 (Jilin City Construction Holdings Group Co., Ltd.)	433,229,558 ⁽¹⁾	Domestic Shares	—	99.13	99.13	—	50.01	50.01
Ronsace Company Limited	94,841,726	Non-H Foreign Shares	56.00	—	56.00	10.95	—	10.95
Bank of China Group Investment Limited	94,841,726 ⁽²⁾	Non-H Foreign Shares	—	56.00	56.00	—	10.95	10.95
Bank of China Limited	94,841,726 ⁽²⁾	Non-H Foreign Shares	—	56.00	56.00	—	10.95	10.95
Sanlink Investments Limited	44,029,105	Non-H Foreign Shares	26.00	—	26.00	5.08	—	5.08
China Insurance Group Investment Limited	44,029,105 ⁽³⁾	Non-H Foreign Shares	—	26.00	26.00	—	5.08	5.08
China Life Insurance (Overseas) Company Limited	44,029,105 ⁽³⁾	Non-H Foreign Shares	—	26.00	26.00	—	5.08	5.08
Halesfield Investment Limited	30,487,573	Non-H Foreign Shares	18.00	—	18.00	3.52	—	3.52

INFORMATION OF SHARE CAPITAL AND SUBSTANTIAL SHAREHOLDERS

Name of shareholders	Number of Shares directly and indirectly held	Class of Shares	Approximate percentage in relevant class of share (%)			Approximate percentage in total issued share capital (%)		
			Direct interests	Indirect interests	Aggregate interests	Direct interests	Indirect interests	Aggregate interests
Huang Jia Sen	30,487,573 ⁽⁴⁾	Non-H Foreign Shares	—	18.00	18.00	—	3.52	3.52
Huang Jia Zi	30,487,573 ⁽⁴⁾	Non-H Foreign Shares	—	18.00	18.00	—	3.52	3.52
Huang Jia Yuan	30,487,573 ⁽⁴⁾	Non-H Foreign Shares	—	18.00	18.00	—	3.52	3.52
全國社會保障基金理事會 (The National Social Security Fund of the PRC)	23,625,000	H Shares	9.09	—	9.09	2.73	—	2.73

Notes:

- 433,229,558 Shares are deemed corporate interests indirectly held through Jilin Chemical Fiber Group Co., Ltd. under the SFO. Jilin City Construction Holdings Group Co., Ltd. is a state-owned enterprise in the PRC.
- 94,841,726 Shares are deemed corporate interests indirectly held through Ronsace Company Limited under the SFO.
- 44,029,105 Shares are deemed corporate interests indirectly held through Sanlink Investments Limited under the SFO.
- 30,487,573 Shares are deemed corporate interests indirectly held through Halesfield Investment Limited under the SFO.

INTERESTS OF DIRECTORS AND SUPERVISORS

As at 30 June 2015, the directors, supervisors and chief executive of the Company did not have any interests and short positions in the shares, the underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (for this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the supervisors).

AUDIT COMMITTEE

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and reviewed the condensed consolidated financial statements for the six months ended 30 June 2015.

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

During the six months ended 30 June 2015, the Company did not redeem any of its shares. Neither the Company, its subsidiary nor its joint venture has purchased or sold any of the listed securities of the Company during the six months ended 30 June 2015.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. For the six months ended 30 June 2015, the Directors consider the Company has complied with all the code provisions as set out in the Code.

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

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules regarding the securities transactions by the directors and supervisors of the Company. During the six months ended 30 June 2015, pursuant to specific enquiries made with all directors and supervisors of the Company, all directors and supervisors of the Company confirmed that they met the standards of the Model Code.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

	Note	Unaudited As at 30 June 2015 RMB' 000	Audited As at 31 December 2014 RMB' 000
ASSETS			
Non-current assets			
Land use rights		72,486	80,735
Property, plant and equipment	6	964,727	1,426,090
Interest in a joint venture	7	127,020	127,304
Other receivables and prepayments	8	127,583	2,785
Deferred income tax assets		43,734	68,129
		<u>1,335,550</u>	<u>1,705,043</u>
Current assets			
Inventories		126,717	345,256
Trade and other receivables	9	782,984	663,323
Land use rights		3,866	3,898
Restricted bank deposits		133,821	143,657
Cash and cash equivalents		166,263	57,814
		<u>1,213,651</u>	<u>1,213,948</u>
Total assets		<u><u>2,549,201</u></u>	<u><u>2,918,991</u></u>
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	10	866,250	866,250
Share premium	10	142,477	142,477
Other reserves		31,919	31,919
Accumulated losses		(372,853)	(378,848)
Total equity		<u>667,793</u>	<u>661,798</u>

The notes on pages 19 to 45 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

	Note	Unaudited As at 30 June 2015 RMB' 000	Audited As at 31 December 2014 RMB' 000
LIABILITIES			
Non-current liabilities			
Long-term bank borrowings	11	170,209	307,697
Deferred income	12	46,560	61,963
		216,769	369,660
Current liabilities			
Trade and other payables	13	336,134	445,617
Deferred income	12	6,157	7,274
Short-term bank borrowings	11	1,221,270	1,309,099
Current portion of long-term bank borrowings	11	98,654	120,551
Derivative financial instrument	14	2,424	4,992
		1,664,639	1,887,533
Total liabilities		1,881,408	2,257,193
Total equity and liabilities		2,549,201	2,918,991
Net current liabilities		(450,988)	(673,585)
Total assets less current liabilities		884,562	1,031,458

The notes on pages 19 to 45 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2015

		Unaudited	
		Six months ended 30 June	
	Note	2015 RMB' 000	2014 RMB' 000 (restated)
Turnover	5	946,985	871,753
Cost of sales		(806,884)	(809,374)
Gross profit		140,101	62,379
Other income and gains	15	210,261	242,591
Distribution costs		(31,150)	(23,103)
Administrative expenses		(37,926)	(32,923)
Other expenses and losses	16	(163,191)	(191,312)
Operating profit		118,095	57,632
Finance income		1,249	609
Finance costs		(64,522)	(69,459)
		54,822	(11,218)
Share of result of a joint venture	7	(420)	(15,018)
Profit/(loss) before income tax from continuing operation	17	54,402	(26,236)
Income tax expense	18	(23,643)	(3,607)
Profit/(loss) after income tax from continuing operation		30,759	(29,843)
Loss for the period from discontinued operation		(24,764)	(21,050)
Profit/(loss) and total comprehensive income for the period		5,995	(50,893)
Earnings/(loss) per share attributable to owners of the Company			
From continuing and discontinued operations			
– basic and diluted (expressed in RMB cents per share)	19	0.69	(5.88)
From continuing operations			
– basic and diluted (expressed in RMB cents per share)	19	3.55	(3.45)

The notes on pages 19 to 45 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Unaudited				Total RMB' 000
	Attributable to owners of the Company				
	Share capital RMB' 000	Share premium RMB' 000	Other reserves RMB' 000	Accumulated losses RMB' 000	
At 1 January 2015	866,250	142,477	31,919	(378,848)	661,798
Profit and total comprehensive income for the period	—	—	—	5,995	5,995
At 30 June 2015	<u>866,250</u>	<u>142,477</u>	<u>31,919</u>	<u>(372,853)</u>	<u>667,793</u>
At 1 January 2014	866,250	142,477	31,919	(306,678)	733,968
Loss and total comprehensive income for the period	—	—	—	(50,893)	(50,893)
At 30 June 2014	<u>866,250</u>	<u>142,477</u>	<u>31,919</u>	<u>(357,571)</u>	<u>683,075</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB' 000	RMB' 000
Operating activities		
Cash generated from operations	286,714	(8,042)
Tax paid	—	—
Net cash generated from/(used in) operating activities	286,714	(8,042)
Investing activities		
Payment for the purchase of property, plant and equipment	(11,942)	(11,783)
Other cash flows arising from investing activities	(40,109)	622
Net cash used in investing activities	(52,051)	(11,161)
Financing activities		
Proceeds from borrowings	2,045,530	1,330,470
Repayments of borrowings	(2,171,744)	(1,225,047)
Other cash flows arising from financing activities	—	(122,872)
Net cash used in financing activities	(126,214)	(17,449)
Net increase/(decrease) in cash and cash equivalents	108,449	(36,652)
Cash and cash equivalents at beginning of the period	57,814	90,813
Cash and cash equivalents at end of the period	166,263	54,161

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

1 GENERAL INFORMATION

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

The Company is a limited liability company incorporated in the PRC and is listed on the Stock Exchange. The address of its registered office is Block 4, Zone D, Hengshan West Road, Jilin New and High Technology Development Zone, Jilin City, Jilin Province, the PRC.

The condensed consolidated financial statements have been approved for issue by the Board of Directors of the Company on 28 August 2015.

The condensed consolidated financial statements have not been audited.

2 BASIS OF PREPARATION

As at 30 June 2015, the Group’s current liabilities exceeded its current assets by RMB450,988,000 (as at 31 December 2014: RMB673,585,000) and the bank borrowings as included in the Group’s current liabilities amounted to RMB1,319,924,000 (as at 31 December 2014: RMB1,429,650,000). The Company’s directors are of the opinion that the Group will be able to finance its future financing requirements and working capital based on the following considerations:

- (a) The Group has maintained its good business relationship with its principal bankers and the principal bankers have indicated their willingness to renew their borrowings to the Group upon maturities of borrowings. The Company’s directors, having evaluated all the relevant facts available to them, believe that formal and binding facility letters will be entered into with the respective principal bankers upon the original maturity dates of the related borrowings;
- (b) The Group’s profitability and cash flows are expected to be improved in view of the improving business environment of the business operations; and
- (c) The ultimate parent company, Jilin Chemical Fiber Group Co., Ltd. (“JCF Groupco”), a state-owned enterprise, has confirmed and has ability to provide continuing financial support to the Group so as to enable it to meet its liabilities and when they fall due and to carry on its business for the foreseeable future.

In view of the above, the Company’s directors are of the view that there will be sufficient financial resources available to the Group to enable it to meet its liabilities as and when they fall due and to continue as a going concern. Accordingly, the Company’s directors have prepared the condensed consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their estimated recoverable amounts, to provide for any further liabilities which might arise and to classify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these adjustments have not been reflected in these condensed consolidated financial statements.

The condensed consolidated financial statements for the six months ended 30 June 2015 have been prepared in accordance with applicable disclosure requirements of Appendix 16 of the Listing Rule and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountant (the “HKICPA”). The condensed consolidated financial statements should be read in conjunction with the Group’s annual financial statement as at 31 December 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRS”) issued by the HKICPA.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

3 ACCOUNTING POLICIES

Except as described below, the condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the Group's annual financial statement as at 31 December 2014.

The Group has adopted the following standards, amendments and interpretations to published standards issued by the HKICPA, which are effective for the accounting periods beginning on or after 1 January 2015:

HK(IFRIC) 21	Levies
HKAS 28 (2011)	Investments in Associates and Joint Ventures
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment entities
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. The adoption of the abovementioned amendments did not result in any substantial changes to the Group's significant accounting policies and presentation of the condensed consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRS 9	Financial Instruments ¹
HKFRS 14	Regulatory Deferral Accounts ²
HKFRS 15	Revenue from Contracts with Customers ³
Amendments to HKAS 1	Disclosure Initiative ⁴
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ⁴
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ⁴
Amendments to HKAS 27	Equity Method in Separate Financial Statements ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ⁴
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ⁴
Amendments to HKFRSs	Annual Improvements 2012-2014 Cycle ⁴

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for first annual HKFRS financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

³ Effective for annual periods beginning on or after 1 January 2017

⁴ Effective for annual periods beginning on or after 1 January 2016

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

3 ACCOUNTING POLICIES – *continued*

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

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

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

The condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2014.

There have been no changes in the risk management department since 31 December 2014 or in any risk management policies.

4.2 Liquidity risk

Compared to 31 December 2014, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

4.3 Fair value estimation

Except for the interest rate swap contract as mentioned in Note 14, the Group does not have any financial assets/liabilities which are required to be measured in the condensed consolidated financial statements at fair value as of the reporting date. This interest rate swap contract has been categorised to the level 2 of the fair value measurement hierarchy as set out in the HKFRS 7 "Financial Instruments Disclosures" because its fair value can be determined by the use of valuation techniques which maximise the use of non-entity specific market data which is observable. The fair value of the interest rate swap contract is calculated at the present value of the estimated future cash flows based on observable yield curves.

As at 30 June 2015, the financial liabilities that were classified as Level 2 investments under HKFRS 13 amounted to RMB2,424,000 (31 December 2014: RMB4,992,000). The impact of the fair value change of such investments on the Group's profit or loss is disclosed in Notes 15 and 16. During the Period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2014: Nil).

The carrying value less impairment provision of receivable and payable balances are assumed to approximate their fair values.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

5 SEGMENT INFORMATION

The chief operating decision-makers have been identified as the three executive directors of the Company (collectively the “Decision-Makers”). The Decision-Makers review the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Group is principally engaged in the development, production and sales of chemical fiber products, namely acrylic fiber and carbon fiber products. The operating segment for carbon fiber products was disposed on 30 June 2015 and become discontinued operation (Note 21).

All of the Group’s operations and assets are located in the PRC except that, a portion of the Group’s revenue for six months ended 30 June 2015 of RMB151,305,000 (2014: RMB106,122,000) was in connection with sales to overseas customers. Therefore, the Decision-Makers only consider the Group’s business from a product perspective, rather than from a geographic perspective. The Decision-Makers assess the performance of the operating segments of acrylic fiber products and carbon fiber products on a regular basis.

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

Turnover for the six months ended 30 June 2015 consists of sales from the acrylic fiber products segment and carbon fiber products segment of RMB946,985,000 (2014: RMB871,753,000) and RMB46,628,000 (2014: RMB18,801,000) respectively.

The Group does not have any inter-segment sales during the six months ended 30 June 2015 and 2014.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

5 SEGMENT INFORMATION – *continued*

The segment information provided to the Decision-Makers for the six months ended 30 June 2015 and 2014 is as follow:

Segment revenue and results

	Unaudited		Total RMB' 000
	Continuing operation Acrylic fiber products RMB' 000	Discontinued operation Carbon fiber products RMB' 000	
Six months ended 30 June 2015			
Total revenue from external customers	946,985	46,628	993,613
Adjusted segment results (Note)	177,504	10,675	188,179
Share of result of a joint venture	(420)	—	(420)
Depreciation and amortisation	(59,283)	(12,881)	(72,164)
Income tax expense	(23,643)	(752)	(24,395)
	<u>94,158</u>	<u>(2,958)</u>	<u>91,200</u>
Other information:			
Additions to property, plant and equipment	<u>11,942</u>	<u>—</u>	<u>11,942</u>
Six months ended 30 June 2014			
Total revenue from external customers	871,753	18,801	890,554
Adjusted segment results (Note)	145,539	(1,805)	143,734
Share of result of a joint venture	(15,018)	—	(15,018)
Depreciation and amortisation	(88,674)	(13,239)	(101,913)
Income tax expense	(3,607)	(475)	(4,082)
	<u>38,240</u>	<u>(15,519)</u>	<u>22,721</u>
Other information:			
Additions to property, plant and equipment	<u>9,347</u>	<u>2,436</u>	<u>11,783</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

5 SEGMENT INFORMATION – *continued*

Segment assets and liabilities

	Audited		Total RMB' 000
	Acrylic fiber products RMB' 000	Carbon fiber Products RMB' 000	
As at 31 December 2014			
Total segment assets	<u>2,218,620</u>	<u>632,242</u>	<u>2,850,862</u>
Total segment assets include:			
Interest in a joint venture	<u>127,304</u>	<u>—</u>	<u>127,304</u>
Total segment liabilities	<u>425,350</u>	<u>89,504</u>	<u>514,854</u>

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

Upon disposal of carbon fiber products business, the Group principally operates in one segment, namely acrylic fiber products. Therefore, no segment assets and liabilities is presented as at 30 June 2015.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

5 SEGMENT INFORMATION – *continued*

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

	Unaudited		Total RMB' 000
	Continuing operation Acrylic fiber products RMB' 000	Discontinued operation Carbon fiber products RMB' 000	
Six months ended 30 June 2015			
Adjusted segment results for reportable segments	177,504	10,675	188,179
Depreciation	(57,350)	(12,865)	(70,215)
Amortisation	(1,933)	(16)	(1,949)
Net loss on derivative financial instrument	(126)	—	(126)
Operating profit/(loss)	118,095	(2,206)	115,889
Finance costs – net	(63,273)	(3,737)	(67,010)
Share of result of a joint venture	(420)	—	(420)
Loss on disposal of a subsidiary	—	(18,069)	(18,069)
Profit/(loss) before income tax	<u>54,402</u>	<u>(24,012)</u>	<u>30,390</u>

	Unaudited		Total RMB' 000
	Continuing operation Acrylic fiber products RMB' 000	Discontinued operation Carbon fiber products RMB' 000	
Six months ended 30 June 2014			
Adjusted segment results for reportable segments	145,539	(1,805)	143,734
Depreciation	(86,741)	(13,223)	(99,964)
Amortisation	(1,933)	(16)	(1,949)
Net gain on derivative financial instrument	767	—	767
Operating profit/(loss)	57,632	(15,044)	42,588
Finance costs – net	(68,850)	(5,531)	(74,381)
Share of result of a joint venture	(15,018)	—	(15,018)
Loss before income tax	<u>(26,236)</u>	<u>(20,575)</u>	<u>(46,811)</u>

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

5 SEGMENT INFORMATION – *continued*

Reportable segments' assets are reconciled to total assets per condensed consolidated statement of financial position as follows:

	Audited As at 31 December 2014 RMB'000
Segment assets for reportable segments	2,850,862
Unallocated:	
Deferred income tax assets	<u>68,129</u>
Total assets per condensed consolidated statement of financial position	<u><u>2,918,991</u></u>

Reportable segments' liabilities are reconciled to total liabilities per condensed consolidated statement of financial position as follows:

	Audited As at 31 December 2014 RMB'000
Segment liabilities for reportable segments	514,854
Unallocated:	
Borrowings	<u>1,737,347</u>
Derivative financial instrument	<u>4,992</u>
	<u>1,742,339</u>
Total liabilities per condensed consolidated statement of financial position	<u><u>2,257,193</u></u>

Note:

As disclosed in Note 15, the Group has managed and operated certain Utility Facilities and Leased Assets primarily to produce electricity and steam for its own production of acrylic fiber and carbon fiber products at the most cost-efficient manner and any surplus of utilities as generated from these Utility Facilities and Leased Assets will be provided to fellow subsidiaries, joint venture, other related parties and third parties at rates to be determined amongst the parties concerned. The adjusted segment results for the six months ended 30 June 2015 as disclosed above for the acrylic fiber products segment included an amount of RMB65,607,000 (2014: RMB64,977,000), representing the related income net of direct outgoings (other than depreciation charge), which is attributable to the provisions of surplus utilities to fellow subsidiaries, joint venture, other related parties and third parties.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

6 PROPERTY, PLANT AND EQUIPMENT

	Note	Unaudited Property, plant and equipment RMB' 000
Six months ended 30 June 2015		
Opening net book amount at 1 January 2015		1,426,090
Additions		11,942
Disposals		(1,484)
Depreciation		(70,215)
Disposal of a subsidiary	22	(401,606)
Closing net book amount at 30 June 2015		<u>964,727</u>
Six months ended 30 June 2014		
Opening net book amount at 1 January 2014		1,591,495
Additions		11,783
Depreciation		<u>(99,964)</u>
Closing net book amount at 30 June 2014		<u>1,503,314</u>

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

7 INTEREST IN A JOINT VENTURE

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

	Unaudited As at 30 June 2015		Audited As at 31 December 2014	
	Jimont RMB' 000	50% shared by the Group RMB' 000	Jimont RMB' 000	50% shared by the Group RMB' 000
Non-current assets	723,189	361,595	758,865	379,433
Current assets	738,407	369,203	725,441	362,720
Total assets	1,461,596	730,798	1,484,306	742,153
Non-current liabilities	110,571	55,286	100,000	50,000
Financial liabilities, excluding trade and other payable	700,011	350,005	693,400	346,700
Other current liabilities	392,534	196,267	431,586	215,793
Total liabilities	1,203,116	601,558	1,224,986	612,493
Net assets	258,480		259,320	
Reconciliation to the Group's interest in the joint venture:				
Proportion of the Group's ownership	50%		50%	
Group's share of net assets of the joint venture	129,240		129,660	
Carrying amount of the Group's interest in the joint venture	127,020		127,304	
Joint venture's capital commitments	47,196	23,598	—	—

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

7 INTEREST IN A JOINT VENTURE – *continued*

	Unaudited		Unaudited	
	For the six months ended		For the six months ended	
	30 June 2015		30 June 2014	
	Jimont	50% shared by the Group	Jimont	50% shared by the Group
	RMB' 000	RMB' 000	RMB' 000	RMB' 000
Revenue	755,309	377,655	837,272	418,636
Expenses	(756,149)	(378,075)	(867,307)	(433,654)
Net loss for the period	<u>(840)</u>	<u>(420)</u>	<u>(30,035)</u>	<u>(15,018)</u>
Included in the above amounts are:				
Depreciation and amortisation	(35,161)	(17,581)	(35,144)	(17,572)
Interest income	4,066	2,033	4,522	2,261
Interest expenses	(38,484)	(19,242)	(36,223)	(18,112)
Income tax expenses	<u>(5,548)</u>	<u>(2,774)</u>	<u>(2,289)</u>	<u>(1,145)</u>

8 OTHER RECEIVABLES AND PREPAYMENTS

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2015	2014
	RMB' 000	RMB' 000
Other receivables (Note i)	127,583	—
Prepayments (Note ii)	—	2,785
	<u>127,583</u>	<u>2,785</u>

Notes:

- (i) The balance represents proceeds from disposal of a subsidiary (Note 22) which will be settled in the second and third year after the disposal.
- (ii) The balance represents the prepayments to suppliers for acquisition of machinery and equipment which was used in the production line or facilities under construction for the six months ended 30 June 2015.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

9 TRADE AND OTHER RECEIVABLES

	Unaudited As at 30 June 2015 RMB' 000	Audited As at 31 December 2014 RMB' 000
Trade receivables (Note i)	126,629	112,255
Less: provision for impairment	(5,267)	(5,984)
Trade receivables – net	121,362	106,271
Bills receivables	108,281	190,123
Amounts due from related parties (Note ii)	462,966	266,190
Other receivables	42,003	76,911
Less: provision for impairment	(1,886)	(1,886)
Other receivables – net	40,117	75,025
Prepayments	50,258	25,714
	<u>782,984</u>	<u>663,323</u>

Notes:

- (i) The Group's sales are normally conducted by cash on delivery or with a credit term of 30 to 90 days. Aging analysis of the trade receivables at the respective reporting date are as follows:

	Unaudited As at 30 June 2015 RMB' 000	Audited As at 31 December 2014 RMB' 000
0 - 30 days	55,128	66,456
31 - 90 days	43,171	22,183
91 - 365 days	19,497	7,733
Over 365 days	3,566	9,899
	<u>121,362</u>	<u>106,271</u>

- (ii) Amounts due from related parties include an amount due from the disposed subsidiary of RMB256,668,000 and an amount of RMB30,185,000 due from the purchaser of the disposed subsidiary.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

10 SHARE CAPITAL AND PREMIUM

(a) Share capital

	Number of shares (in thousand)	Nominal values RMB' 000
Registered, issued and fully paid		
– Domestic shares of RMB1 each	437,017	437,017
– Non-H foreign shares of RMB1 each	169,358	169,358
– H shares of RMB1 each	259,875	259,875
	<u>866,250</u>	<u>866,250</u>

Notes:

- (i) There was no movement in share capital during the periods ended 30 June 2015 and 2014.
- (ii) The Company was converted into a joint stock company on 23 May 2005, with registered, issued and fully paid capital of RMB630,000,000 divided into 630,000,000 shares at par value of RMB1 each (out of which: 460,642,000 shares were domestic shares and 169,358,000 shares are foreign shares).

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

(b) Share premium

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

11 BORROWINGS

	Unaudited As at 30 June 2015			Audited As at 31 December 2014		
	Effective interest rate	Maturity	RMB' 000	Effective interest rate	Maturity	RMB' 000
	%			%		
Current						
Bank borrowings	4.92-6.80	2015-2016	1,164,590	6.54	2015	1,148,950
Discounted bills with recourse	6.00	2015	56,680	6.04	2015	160,149
Current portions of long term bank loans - secured	6.49-9.23	2015-2016	98,654	6.32	2015	120,551
			<u>1,319,924</u>			<u>1,429,650</u>
Non-current						
Bank borrowings - secured	6.49-9.23	2016-2022	170,209	6.47	2016-2022	307,697
			<u>170,209</u>			<u>307,697</u>
Total net borrowings			<u><u>1,490,133</u></u>			<u><u>1,737,347</u></u>
Representing:						
– secured/guaranteed borrowings			<u>1,490,133</u>			<u>1,737,347</u>
Net fixed rate borrowings as a percentage of total net borrowings			<u>27.5%</u>			<u>22.2%</u>

Movements in borrowings are analysed as follows:

	Note	Unaudited	
		2015 RMB' 000	2014 RMB' 000
At 1 January		1,737,347	1,784,414
Drawn down		2,045,530	1,330,470
Repayments		(2,171,744)	(1,225,047)
Disposal of a subsidiary	22	(121,000)	—
At 30 June		<u><u>1,490,133</u></u>	<u><u>1,889,837</u></u>

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

12 DEFERRED INCOME

As at 30 June 2015, deferred income represents the unamortised amounts of certain government grants as received by the Group for the constructions of certain property, plant and equipment and income tax credits in connection with the purchases of certain domestically manufactured equipment of RMB44,685,000 (as at 31 December 2014: RMB60,513,000) and RMB8,032,000 (as at 31 December 2014: RMB8,724,000) respectively.

13 TRADE AND OTHER PAYABLES

	Unaudited As at 30 June 2015 RMB' 000	Audited As at 31 December 2014 RMB' 000
Trade payables (Note i)	113,636	170,540
Bills payable (Note ii)	100,000	140,000
Amounts due to related parties (Note iii)	1,479	6,992
Other payables and accruals	121,019	128,085
	336,134	445,617

Notes:

(i) Aging analysis of the trade payables are as follows:

	Unaudited As at 30 June 2015 RMB' 000	Audited As at 31 December 2014 RMB' 000
0 - 30 days	35,548	71,628
31 - 90 days	35,898	41,261
91 - 365 days	33,169	46,533
Over 365 days	9,021	11,118
	113,636	170,540

(ii) Bills payables are secured by certain restricted bank deposits of the Group with the carrying amount of RMB44,000,000. (2014: RMB89,035,000).

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

14 DERIVATIVE FINANCIAL INSTRUMENT

	Unaudited As at 30 June 2015 RMB' 000	Audited As at 31 December 2014 RMB' 000
Derivative financial liability (Note)		
– Interest rate swap contract	2,424	4,992

Note:

As at 30 June 2015, the derivative financial liability represents an outstanding interest rate swap contract with an outstanding notional amount of RMB72,800,000 (as at 31 December 2014: RMB78,000,000), with original notional principal amount of RMB130,000,000. The interest rate swap contract is to mature in November 2015. The interest rate swap contract has been recognised in the condensed consolidated statement of financial position based on its fair value as at the respective reporting dates.

The management considers that the abovementioned interest rate swap contract does not qualify for hedge accounting and the net loss associated with this derivative financial instrument of RMB126,000 (six months ended 30 June 2014: net gain of RMB767,000) has been recognised within 'other expenses and losses' in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2015 (Note 16).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

15 OTHER INCOME AND GAINS

	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB' 000	RMB' 000
		(restated)
Continuing operations:		
Other income:		
Income from provision of utilities (Note i)	200,794	236,556
Amortisation of deferred income	3,145	3,012
Sales of raw materials	4,332	—
Subsidy income	—	1
Inspection fee income	782	—
Others	2	1,991
	209,055	241,560
Other gains		
Gain attributable to equity interests of a joint venture	137	137
Foreign exchange gain, net	1,069	127
Net gain on derivative financial instrument	—	767
	1,206	1,031
	210,261	242,591

Note:

- (i) For the six months ended 30 June 2015, the income from the provisions of utilities to the fellow subsidiaries, joint venture and third parties amounted to RMB93,856,000 (2014: RMB108,700,000), RMB78,473,000 (2014: RMB85,663,000), RMB28,465,000 (2014: RMB42,193,000) respectively. Direct outgoings in respect of the income from provision of utilities primarily comprise cost of raw materials, apportioned operating lease rentals for the Leased Assets, depreciation of the Utility Facilities and related staff costs of RMB112,558,000 (2014: RMB151,506,000), RMB3,986,000 (2014: RMB3,326,000), RMB21,502,000 (2014: RMB19,376,000) and RMB8,920,000 (2014: RMB8,775,000) respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

16 OTHER EXPENSES AND LOSSES

		Unaudited Six months ended 30 June		
Note	2015 RMB' 000	2014 RMB' 000 (restated)		
Continuing operations:				
Other expenses				
	Direct outgoings in respect of provision of utilities	17	156,742	190,955
	Cost of raw materials		4,845	—
	Others		—	357
			<u>161,587</u>	<u>191,312</u>
Other losses				
	Net loss on derivative financial instrument		126	—
	Loss on disposal of property, plant and equipment		1,478	—
			<u>1,604</u>	<u>—</u>
			<u>163,191</u>	<u>191,312</u>

17 PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(loss) before income tax is stated after charging:

		Unaudited Six months ended 30 June		
Note	2015 RMB' 000	2014 RMB' 000 (restated)		
Continuing operations:				
Inventories recognised as an expense				
	– for production of fiber products		806,884	809,374
	– for provision of utilities	16	156,742	190,955
	Depreciation		57,350	86,741
	Amortisation		1,933	1,933
	Interest expenses on			
	– bank borrowings		47,572	54,576
	– discounted notes receivable		3,730	8,282
			<u>51,302</u>	<u>62,858</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

18 INCOME TAX EXPENSE

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

	Unaudited Six months ended 30 June	
	2015 RMB' 000	2014 RMB' 000 (restated)
Continuing operations:		
Current income tax		
– PRC corporate income tax	—	—
Deferred income tax		
– charge for the period	(23,643)	(3,607)
Income tax expense	<u>(23,643)</u>	<u>(3,607)</u>

No provision for Hong Kong profits tax has been made as the Group did not carry out any business or generate any assessable profits in Hong Kong for the six months ended 30 June 2015 and 2014.

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

For the six months ended 30 June 2015 and 2014, no provision for PRC corporate income tax was made as the Group either had no tax assessable profits or the assessable profits were wholly absorbed by tax losses brought forward.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

19 EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings/(loss) per share attributable to the owners of the Company is based on the following data:

Profit/(loss) attributable to owners of the Company

	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB' 000	RMB' 000
		(restated)
For continuing and discontinued operations:		
Profit/(loss) for the purposes of basic and diluted earnings/(loss) per share	5,995	(50,893)
For continuing operations:		
Profit/(loss) for the purposes of basic and diluted earnings/(loss) per share	30,759	(29,843)
For discontinued operations:		
Loss for the purposes of basic and diluted loss per share	(24,764)	(21,050)
Number of shares:	(in thousand)	(in thousand)
Weighted average number of ordinary shares for the purposes of basic and diluted earnings/(loss) per share	866,250	866,250

Basic earnings/(loss) per share are calculated by dividing the profit/(loss) attributable to owners of the Company for the period by the weighted average number of the Company's shares in issue during the six months ended 30 June 2015 of 866,250,000 (2014: 866,250,000) shares.

For the six months ended 30 June 2015 and 2014, the Company has no dilutive potential ordinary shares and therefore the diluted earnings/(loss) per share is equal to the basic earnings/(loss) per share.

20 DIVIDEND

The Company's directors do not recommend the declaration of an interim dividend for the six months ended 30 June 2015 and 2014.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

21 DISCONTINUED OPERATIONS

On 26 June 2015, the Group entered into an equity transfer agreement with Jilin City Guosheng Asset Management Co., Ltd. (the “Purchaser”), pursuant to which, the Group agreed to dispose its 100% entire interest in Jilin Tangu Carbon Fiber Co., Ltd. (“Tangu”). On 30 June 2015, the equity transfer agreement became effective under the approval of the disposal by the State-owned Assets Supervision & Administration Commission of the People’s Government of Jilin City. The result of the disposed subsidiary for the periods ended 30 June 2015 and 2014 were as follows:

		Unaudited	
		Six months ended 30 June	
	Note	2015 RMB' 000	2014 RMB' 000
Turnover	5	46,628	18,801
Cost of sales		<u>(38,914)</u>	<u>(20,768)</u>
Gross profit/(loss)		7,714	(1,967)
Distribution costs		(830)	(331)
Administrative expenses		(9,730)	(13,915)
Other income and gains		<u>640</u>	<u>1,169</u>
Operating loss		(2,206)	(15,044)
Finance income		708	14
Finance costs		(4,445)	(5,545)
Loss on disposal of a subsidiary	22	<u>(18,069)</u>	<u>—</u>
Loss before income tax		(24,012)	(20,575)
Income tax expense		<u>(752)</u>	<u>(475)</u>
Loss for the period from discontinued operations	19	<u><u>(24,764)</u></u>	<u><u>(21,050)</u></u>

The net cash flows of the discontinued operations for the period ended 30 June 2015 and 2014 were as follows:

		Unaudited	
		Six months ended 30 June	
		2015 RMB' 000	2014 RMB' 000
Net cash generated from operating activities		24,637	63,596
Net cash used in investing activities		(1,493)	(49,986)
Net cash used in financing activities		<u>(14,500)</u>	<u>(15,000)</u>
Net cash inflows/(outflows) incurred by the discontinued operations		<u><u>8,644</u></u>	<u><u>(1,390)</u></u>
From discontinued operations			
– basic and diluted (expressed in RMB cents per share)		<u><u>(2.86)</u></u>	<u><u>(2.43)</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

21 DISCONTINUED OPERATIONS – *continued*

The calculations of basic and diluted loss per share from the discontinued operation are based on:

	2015 RMB' 000	2014 RMB' 000
For discontinued operations:		
Loss for the purposes of basic and diluted loss per share	<u>(24,764)</u>	<u>(21,050)</u>
Number of shares:	(in thousand)	(in thousand)
Weighted average number of ordinary shares for the purposes of basic and diluted earnings/(loss) per share	<u>866,250</u>	<u>866,250</u>

22 DISPOSAL OF A SUBSIDIARY

	Note	Unaudited As at 30 June 2015 RMB' 000
Assets disposed of:		
Land use right		6,333
Property, plant and equipment	6	401,606
Inventories		96,491
Trade and other receivables		65,825
Restricted bank deposits		52,201
Cash and cash equivalents		<u>13,853</u>
Total assets		<u>636,309</u>
Liabilities disposed of:		
Long term bank borrowings	11	105,000
Deferred income		13,750
Short term bank borrowings	11	16,000
Trade and other payables		<u>325,722</u>
Total liabilities		<u>460,472</u>
Net assets		<u>175,837</u>
Loss on disposal of a subsidiary	21	<u>(18,069)</u>
		<u>157,768</u>
Satisfied by:		
Consideration receivables (Note)		<u>157,768</u>

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2015 RMB' 000
Cash and cash equivalents	<u>(13,853)</u>

Note:

For the period ended 30 June 2015, significant non-cash transaction include the consideration of RMB157,768,000 from the disposal of a subsidiary. Consideration receivables will be settled by instalments within three years.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

23 COMMITMENTS

(a) Capital commitments

Capital expenditures contracted for but not yet incurred are as follows:

	Unaudited As at 30 June 2015 RMB' 000	Audited As at 31 December 2014 RMB' 000
Property, plant and equipment	816	1,553

(b) Operating lease commitments

(i) *The Group as the lessee*

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

	Unaudited As at 30 June 2015 RMB' 000	Audited As at 31 December 2014 RMB' 000
No later than 1 year	11,629	12,469
Later than 1 year and no later than 5 years	5,814	12,469
	17,443	24,938

(ii) *The Group as the lessor*

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

	Unaudited As at 30 June 2015 RMB' 000	Audited As at 31 December 2014 RMB' 000
Land use rights and machinery		
No later than 1 year	73	119
Later than 1 year and no later than 5 years	112	167
Later than 5 years	50	66
Total	235	352

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

24 SIGNIFICANT RELATED PARTY TRANSACTIONS

The Group is controlled by JCF Groupco, the ultimate parent company, which owns 50.01% of the Company's shares. The remaining 49.99% of the Company's shares are held by public shareholders and several strategic investors. JCF Groupco itself is a state-owned enterprise controlled by the PRC government. In accordance with HKAS 24 (Revised), "Related Party Disclosures", government related entities (e.g. state-owned enterprises) and their subsidiaries directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are also defined as related parties of the Group. A portion of the Group's business activities is conducted with other government related entities in the PRC (primarily with respect to sales of finished products, purchases of raw materials and transactions with state-owned banks). The Group believes that these transactions are carried out on commercial terms that are similarly and consistently applied to all customers or suppliers.

For the purpose of related party transaction disclosures, the Group has identified, to the extent practicable, its customers and suppliers as to whether they are government related entities. The Company's directors believe that it is meaningful to disclose any significant related party transactions with these government related entities for the interests of the financial statements users, although these transactions are exempted from the disclosure requirements as set out in the HKAS 24 (Revised). The Company's directors believe that the information in respect of related party transactions has been adequately disclosed in these condensed consolidation financial statements.

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

During the Period, for the purpose of this report, the directors are of the view that the following group entities under JCF Groupco are related parties of the group:

Name of related parties	Relationships
Tuopu Textile Industrial Development Co., Ltd.	A subsidiary of JCF Groupco
Jilin Chemical Fiber Construction and Installation Co., Ltd.	A subsidiary of JCF Groupco
Jilin Huidong Chemical Industry Co., Ltd.	A subsidiary of JCF Groupco
Jilin Aika Viscose Co., Ltd.	A subsidiary of JCF Groupco
JCFCL	A subsidiary of JCF Groupco
Jilin Chemical Fiber Furunde Textile Co., Ltd.	A subsidiary of JCF Groupco
Jilin Chemical Fiber Group Import Export Co., Ltd.	A subsidiary of JCF Groupco
Jilin City Guosheng Asset Management Co., Ltd.	A related company of the Company under Jilin City Government
Tangu	A related company of the Company under Jilin City Government and a subsidiary of the Company before 30 June 2015

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

24 SIGNIFICANT RELATED PARTY TRANSACTIONS – *continued*

(a) Related party transactions

	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB' 000	RMB' 000
Sales of goods to:		
– a shareholder of the Company	177,713	173,156
– group entities under JCF Groupco	52,707	18
Provision of utilities to:		
– a joint venture	78,473	85,663
– group entities under JCF Groupco	93,856	108,700
Provision of quality inspection to a joint venture	782	—
Sales of raw materials to a joint venture	4,171	5,642
Rental expense to a fellow subsidiary in respect of the remaining lease assets	(5,934)	(8,376)
Rental expense to a group entity under JCF Groupco	(1,321)	—
Bank borrowings guarantee fee to the ultimate parent company	(7,600)	(6,600)
Repair and maintenance service fee to group entities under JCF Groupco	(636)	(1,947)
Purchases of raw materials from:		
– a joint venture	(400)	(42)
– group entities under JCF Groupco	(5,337)	(5,771)
Construction costs to a group entity under JCF Groupco	—	(200)
Disposal of a subsidiary to a related company	157,768	—
	157,768	—

JCF Groupco allowed the Group to use of the trademark of “白山” (Baishan) at nil consideration during the six months ended 30 June 2015 and 2014.

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

As at 30 June 2015, bank borrowings of RMB908,464,000 (as at 31 December 2014: RMB1,394,998,000) are guaranteed by the JCF Groupco.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

24 SIGNIFICANT RELATED PARTY TRANSACTIONS – *continued*

(b) Balances with related parties

	Unaudited As at 30 June 2015 RMB' 000	Audited As at 31 December 2014 RMB' 000
Other receivables and prepayments from		
– a related company	127,583	—
Trade receivables from		
– a shareholder of the Company	398	—
– a fellow subsidiary	34,758	6,119
	<u>35,156</u>	<u>6,119</u>
Advance from customers		
– a shareholder of the Company	—	6,854
Amounts due from		
– ultimate holding company	3,860	—
– fellow subsidiaries	166,059	247,180
– a joint venture	6,194	19,010
– related companies	286,853	—
	<u>462,966</u>	<u>266,190</u>
Trade payables to		
– fellow subsidiaries	39	612
Amounts due to		
– the ultimate parent company	—	3,075
– fellow subsidiaries	1,479	3,917
	<u>1,479</u>	<u>6,992</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

24 SIGNIFICANT RELATED PARTY TRANSACTIONS – *continued*

(c) Key management compensation

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

	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB' 000	RMB' 000
Wages, salaries and other short-term employee benefits	912	1,663
Pension and social security costs	31	18
	<u>943</u>	<u>1,681</u>

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Song Dewu (*Chairman*)
Mr. Yang Xuefeng
Mr. Pan Xianfeng

Non-executive Directors

Mr. Jiang Junzhou
Mr. Ma Jun
Ms. Pang Suet Mui
Mr. Wu Song

Independent Non-executive Directors

Mr. Li Yanxi
Mr. Lv Xiaobo
Mr. Jin Jie
Ms. Zhu Ping

SUPERVISORS

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

AUDIT COMMITTEE

Mr. Li Yanxi (*Chairman*)
Ms. Pang Suet Mui
Mr. Lv Xiaobo

BOARD REMUNERATION COMMITTEE

Mr. Lv Xiaobo (*Chairman*)
Mr. Ma Jun
Ms. Zhu Ping

NOMINATION COMMITTEE

Mr. Lv Xiaobo (*Chairman*)
Mr. Jiang Junzhou
Ms. Zhu Ping

CONNECTED TRANSACTIONS COMMITTEE

Mr. Jin Jie (*Chairman*)
Mr. Li Yanxi
Mr. Lv Xiaobo

BOARD SECRETARY

Mr. Liang Guohui

COMPANY SECRETARY

Mr. Chan Cheung HKICPA, FCCA

QUALIFIED ACCOUNTANT

Mr. Chan Cheung HKICPA, FCCA

AUTHORISED REPRESENTATIVES

Mr. Pan Xianfeng
Mr. Chan Cheung HKICPA, FCCA

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AUDITORS

Moore Stephens CPA Limited

LEGAL ADVISOR AS TO HONG KONG LAW

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Jilin City Commercial Bank
Agricultural Bank of China
Bank of Communications
Bank of China Limited

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