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)

2016 INTERIM RESULTS ANNOUNCEMENT

FINANCIAL AND BUSINESS HIGHLIGHTS

- Profit for the Period attributable to owners of the Company was approximately RMB51.5 million, as compared to a net profit of approximately RMB6.0 million for the same period in 2015.
- Revenue for the Period was approximately RMB751 million, representing a decrease of approximately 21% as compared to the same period in 2015.
- The overall gross profit margin increased from 14.8% for the first six months in 2015 to 15.5% for the Period.
- Production plant operated at an overall utilisation rate of approximately 98% for the Period (2015: 95%).
- The Company's share of 50% of the profit of Jimont for the Period under the equity method amounted to approximately RMB7.5 million (2015: Loss RMB0.4 million).

The Board is pleased to announce the unaudited consolidated results of the Group (the "Interim Results Annoucement") for the six months ended 30 June 2016 (the "Period"). This Interim Results Announcement has been reviewed by the Board and the audit committee of the Company.

The Group's unaudited condensed consolidated statement of financial position, condensed consolidated statement of comprehensive income and explanatory notes 1 to 11 as presented below are extracted from the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2016.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Note	Unaudited Six months ended 30 June 2016 RMB'000	 2015 RMB'000
Turnover	3	**751,184**	946,985
Cost of sales		**(634,539)**	(806,884)
Gross profit		**116,645**	140,101
Other income and gains	4	**248,912**	210,261
Distribution costs		**(25,622)**	(31,150)
Administrative expenses		**(41,791)**	(37,926)
Other expenses and losses	4	**(209,652)**	(163,191)
Operating profit		**88,492**	118,095
Finance income		**5,042**	1,249
Finance costs		**(39,776)**	(64,522)
		53,758	54,822
Share of result of a joint venture		**7,515**	(420)
Profit before income tax	6	**61,273**	54,402
Income tax expense	7	**(9,786)**	(23,643)
Profit after income tax from continuing operations		**51,487**	30,759
Loss for the period from discontinued operations		**—**	(24,764)
Profit and total comprehensive income for the period attributable to owners of the Company		**51,487**	5,995
Earnings per share attributable to owners of the Company (expressed in RMB cents per share)	8		
From continuing and discontinued operations			
– basic and diluted		**5.94**	0.69
From continuing operations			
– basic and diluted		**5.94**	3.55

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	Note	Unaudited As at 30 June 2016 RMB'000	Audited As at 31 December 2015 RMB'000
ASSETS			
Non-current assets			
Land use rights		**68,139**	70,585
Property, plant and equipment		**878,225**	911,730
Intangible assets		**3,400**	3,667
Interest in a joint venture		**156,911**	149,259
Trade and other receivables		**99,677**	144,500
Deferred income tax assets		**39,128**	48,914
		1,245,480	1,328,655
Current assets			
Inventories		**175,652**	208,683
Trade and other receivables	10	**1,054,393**	802,515
Land use rights		**3,834**	3,321
Restricted bank deposits		**92,984**	62,151
Cash and cash equivalents		**56,388**	67,620
		1,383,251	1,144,290
Total assets		**2,628,731**	2,472,945
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		**866,250**	866,250
Share premium		**142,477**	142,477
Other reserves		**31,919**	31,919
Accumulated losses		**(195,181)**	(246,668)
Total equity		**845,465**	793,978

	Note	Unaudited As at 30 June 2016 RMB'000	Audited As at 31 December 2015 RMB'000
LIABILITIES			
Non-current liabilities			
Long-term bank borrowings		**85,000**	115,154
Deferred income		**37,359**	40,872
		122,359	156,026
Current liabilities			
Trade and other payables	11	**387,559**	354,661
Deferred income		**7,027**	7,027
Short-term bank borrowings		**1,183,900**	1,058,710
Current portion of long-term bank borrowings		**82,421**	102,543
		1,660,907	1,522,941
Total liabilities		**1,783,266**	1,678,967
Total equity and liabilities		**2,628,731**	2,472,945
Net current liabilities		**(277,656)**	(378,651)
Total assets less current liabilities		**967,824**	950,004

NOTES

1 BASIS OF PREPARATION

As at 30 June 2016, the Group's current liabilities exceeded its current assets by RMB277,656,000 (as at 31 December 2015: RMB378,651,000) and the bank borrowings as included in the Group's current liabilities amounted to RMB1,266,321,000 (as at 31 December 2015: RMB1,161,253,000). 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 2016 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure provisions for the Rules Governing the Listing of Securities on the Stock Exchange.

The condensed consolidated financial statements for the six months ended 30 June 2016 have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 December 2015, except that the Group has applied, for the first time, certain new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are effective for the current period, as disclosed in note 2.

1 BASIS OF PREPARATION – continued

The condensed consolidated financial statements for the six months ended 30 June 2016 contain condensed financial statements and selected explanatory information. The notes include transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 December 2015. The condensed consolidated financial statements and information thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2015.

The condensed consolidated financial statements for the six months ended 30 June 2016 have not been audited.

2 ACCOUNTING POLICIES

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 2016:

Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 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.

3 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.

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 2016 of RMB143,807,000 (2015: RMB151,305,000) 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.

3 SEGMENT INFORMATION – continued

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 2016 consists of sales from the acrylic fiber products segment of RMB751,184,000 (2015: RMB946,985,000).

The Group does not have any inter-segment sales during the six months ended 30 June 2016 and 2015.

The segment information provided to the Decision-Makers for the six months ended 30 June 2016 and 2015 is as follow:

Segment revenue and results

	Unaudited		
	Continuing operation Acrylic fiber products RMB'000	Discontinued operation Carbon fiber products RMB'000	Total RMB'000
Six months ended 30 June 2016			
Total revenue from external customers	**751,184**	—	**751,184**
Adjusted segment results (Note)	**149,835**	—	**149,835**
Share of result of a joint venture	**7,515**	—	**7,515**
Depreciation and amortisation	**(61,343)**	—	**(61,343)**
Income tax expense	**(9,786)**	—	**(9,786)**
	86,221	—	**86,221**
Other information:			
Additions to property, plant and equipment	**25,638**	—	**25,638**
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)
	94,158	(2,958)	91,200
Other information:			
Additions to property, plant and equipment	11,942	—	11,942

3 SEGMENT INFORMATION – continued

Segment assets and liabilities

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 2016 and 2015.

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

	Unaudited		
	Continuing operation Acrylic fiber products RMB'000	Discontinued operation Carbon fiber products RMB'000	Total RMB'000
Six months ended 30 June 2016			
Adjusted segment results for reportable segments	**149,835**	—	**149,835**
Depreciation	**(59,143)**	—	**(59,143)**
Amortisation	**(2,200)**	—	**(2,200)**
Operating profit	**88,492**	—	**88,492**
Finance costs – net	**(34,734)**	—	**(34,734)**
Share of result of a joint venture	**7,515**	—	**7,515**
Profit before income tax	**61,273**	—	**61,273**
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	54,402	(24,012)	30,390

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.

Note:

As disclosed in Note 5, 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 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, Jilin Chemical Fibre Co., Ltd. ("JCFCL"), 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 2016 as disclosed above for the acrylic fiber products segment included an amount of RMB64,794,000 (2015: RMB65,607,000), 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, JCFCL other related parties and third parties.

4 OTHER INCOME AND GAINS

	Unaudited Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Continuing operations:		
Other income:		
Income from provision of utilities (Note i)	**214,985**	200,794
Amortisation of deferred income	**3,513**	3,145
Sales of raw materials	**28,379**	4,332
Inspection fee income	**1,331**	782
Others	**65**	2
	248,273	209,055
Other gains		
Gain attributable to equity interests of a joint venture	**137**	137
Foreign exchange gain, net	**502**	1,069
	639	1,206
	248,912	210,261

Note:

(i) For the six months ended 30 June 2016, the income from the provisions of utilities to the fellow subsidiaries, joint venture and third parties amounted to RMB110,229,000 (2015: RMB93,856,000), RMB89,124,000 (2015: RMB78,473,000), RMB15,632,000 (2015: RMB28,465,000) respectively.

5 OTHER EXPENSES AND LOSSES

		Unaudited Six months ended 30 June	
		2016	2015
	Note	**RMB'000**	RMB'000
Continuing operations:			
Other expenses			
Direct outgoings in respect of provision of utilities	6	**184,215**	156,742
Cost of raw materials		**25,437**	4,845
		209,652	161,587
Other losses			
Net loss on derivative financial instrument		**—**	126
Loss on disposal of property, plant and equipment		**—**	1,478
		—	1,604
		209,652	163,191

6 PROFIT BEFORE INCOME TAX

Profit before income tax is stated after charging:

	Note	Unaudited Six months ended 30 June 2016 RMB'000	2015 RMB'000
Continuing operations:			
Inventories recognised as an expense			
– for production of fiber products		**626,487**	806,884
– for provision of ultilities	5	**184,215**	156,742
Depreciation		**59,143**	57,350
Amortisation		**2,200**	1,933

7 INCOME TAX EXPENSE

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

	Unaudited Six months ended 30 June 2016 RMB'000	2015 RMB'000
Continuing operations:		
Current income tax		
– PRC corporate income tax	—	—
Deferred income tax		
– charge for the period	**9,786**	23,643
Income tax expense	**9,786**	23,643

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 2016 and 2015.

The PRC corporate income tax rate applicable to the Company for the current period is 25%.

The PRC corporate income tax rate applicable to the Company and its subsidiary for the prior period was 25%.

For the six months ended 30 June 2016 and 2015, 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.

8 EARNINGS PER SHARE

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

Profit attributable to owners of the Company

	Unaudited Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
For continuing and discontinued operations:		
Profit for the purposes of basic and diluted earnings per share	**51,487**	5,995
For continuing operations:		
Profit for the purposes of basic and diluted earnings per share	**51,487**	30,759
For discontinued operations:		
Loss for the purposes of basic and diluted loss per share	—	(24,764)
Number of shares:	**(in thousand)**	(in thousand)
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**866,250**	866,250

Basic earnings per share are calculated by dividing the profit 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 2016 of 866,250,000 (2015: 866,250,000) shares.

For the six months ended 30 June 2016 and 2015, the Company has no dilutive potential ordinary shares and therefore the diluted earnings per share is equal to the basic earnings per share.

9 DIVIDEND

The Company's directors do not recommend the declaration of an interim dividend for the six months ended 30 June 2016 and 2015.

10 TRADE AND OTHER RECEIVABLES

	Unaudited As at 30 June 2016 RMB'000	Audited As at 31 December 2015 RMB'000
Trade receivables (Note i)	**109,759**	102,626
Less: provision for impairment	**(5,589)**	(5,589)
Trade receivables – net	**104,170**	97,037
Bills receivables	**38,581**	85,541
Amounts due from related companies (Note ii)	**730,462**	525,168
Other receivables	**106,065**	58,468
Less: provision for impairment	**(13,406)**	(13,406)
Other receivables – net	**92,659**	45,062
Prepayments	**91,822**	53,008
Less: provision for impairment	**(3,301)**	(3,301)
Prepayments - net	**88,521**	49,707
	1,054,393	802,515

Notes:

(i) The Group's sales are normally conducted with a credit term ranging from cash on delivery to 180 days. Aging analysis of the trade receivables based on invoice date are as follows:

	Unaudited As at 30 June 2016 RMB'000	Audited As at 31 December 2015 RMB'000
0 - 30 days	**50,195**	41,112
31 - 90 days	**43,730**	44,207
91 - 365 days	**7,085**	8,681
Over 365 days	**6,029**	6,406
	107,039	100,406

	2016 RMB'000	2015 RMB'000
Represented by:		
Current portion	**104,170**	97,037
Non-current portion	**2,869**	3,369
	107,039	100,406

(ii) Amounts due from related companies include an amount due from the disposed subsidiary of RMB267,205,000 (at 31 December 2015: RMB256,668,000) and an amount of RMB79,420,000 (at 31 December 2015: RMB30,185,000) due from the purchaser of the disposed subsidiary.

11 TRADE AND OTHER PAYABLES

	Unaudited As at 30 June 2016 RMB'000	Audited As at 31 December 2015 RMB'000
Trade payables (Note i)	**169,083**	150,055
Bank bills payables (Note ii)	**72,030**	70,600
Amounts due to related companies (Note iii)	**10,327**	10,002
Other payables and accruals	**136,119**	124,004
	387,559	354,661

Notes:

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

	Unaudited As at 30 June 2016 RMB'000	Audited As at 31 December 2015 RMB'000
0 - 30 days	**79,924**	57,085
31 - 90 days	**27,490**	61,779
91 - 365 days	**54,655**	24,990
Over 365 days	**7,014**	6,201
	169,083	150,055

(ii) Bank bills payables are secured by certain restricted bank deposits of the Group with the carrying amount of RMB44,000,000. (as at 31 December 2015: RMB43,940,000).

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

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 2016 was 6.7%, which was slightly slower as compared to the same period in 2015. China's economic growth was slowing down and the market condition remained challenging. For the acrylic fiber industry, overall production capacity for acrylonitrile (the major raw material of the Company's acrylic fiber products) continued to expand and the acrylonitrile price continued to drop during the Period and the average price of acrylic filer products declined accordingly. In July 2016, the Ministry of Commerce of the PRC decided to impose anti-dumping duties on imported acrylic fibers originating in Japan, South Korea and Turkey in favour of the acrylic fiber industry in China.

Sales Review

For the six months ended 30 June 2016, the Group recorded sales revenue of approximately RMB751.2 million, representing a decrease of approximately 21% from approximately RMB947.0 million as compared to the same period in 2015. Sales volume during the Period was 66,321 tons, representing a decrease of approximately 5% as compared to the same period in 2015. The average selling price of the Group's acrylic fiber products decreased from RMB13,530 per ton in the first half of 2015 to approximately RMB11,326 per ton in the Period, representing a decrease of approximately 16%.

Operations Review

For the six months ended 30 June 2016, the Group's total production volume of acrylic products was 66,693 tons (2015: 65,691 tons), representing an increase of approximately 2% as compared to the same period last year. The overall utilisation rate of the Group's production facilities during the Period was approximately 98% (2015: 95%).

During the Period, the Group continued to enlarge its supplier base and strengthen raw material market analysis to enhance its purchasing function and inventory management. The Group also continued to implement stringent cost control measures and adhere to order-based production in order to further enhance operating efficiency. The Group has conducted continual technical reform, quality improvement and waste reduction projects, which set up a solid foundation to stabilise production process, improve production quality and reduce production cost.

Human Resources

As at 30 June 2016, the Group had 1,729 employees (2015: 1,746 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 2016, 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, the Group expects the shortage in supply of acrylonitrile will be further alleviated.

3. Anti-dumping duties on imported acrylic fibers: In July 2016, The Ministry of Commerce of the PRC announced the imposition of anti-dumping duties on imported acrylic fibers originating from Japan, Korea and Turkey. The management believes that demand for local manufactured acrylic fibers will increase as a result of the decision.

FINANCIAL ANALYSIS

OPERATION RESULTS

For the six months ended 30 June 2016, the revenue of the Group was approximately RMB751.2 million, representing a decrease of approximately 21% as compared to approximately RMB947.0 million for the same period in 2015. The decrease in revenue was mainly attributable to the combine effect of the decrease of approximately 5% in sales volume and the approximately 16% decrease in the average selling price of the Group's products. During the Period, the Group's total sales volume and production volume were 66,321 tons and 66,693 tons, respectively (2015: 69,993 tons and 65,691 tons respectively), resulting in a sales-to-production ratio of approximately 99% (2015: 107%). Gross profit margin increased from 14.8% for the six months ended 30 June 2015 to 15.5% during the Period. For the six months ended 30 June 2016, profit attributable to owners of the Company was approximately RMB51.5 million, as compared to the profit attributable to owners of the Company of approximately RMB6.0 million for the same period in 2015. The Group's share of 50% of the profit of its joint venture amounted to RMB7.5 million as compared to a loss of RMB0.4 million for the same period last year.

Operating expenses (including distribution costs and administrative expenses)

Operating expenses of the Company decreased to approximately RMB67.4 million for the six months ended 30 June 2016 from approximately RMB69.1 million for the same period in 2015. The decrease was mainly due to decrease in sales volume which resulted in a decrease in transportation costs during the Period.

Net other gains (the net aggregate amount of other income and gains and other expenses and losses)

Net other gains for the Period was approximately RMB39.3 million, as compared to that of approximately RMB47.1 million for the same period last year. The decrease in net other gains was primarily due to the decrease in net other income from the provision of utilities.

Net finance costs

Net finance costs of the Company decreased to approximately RMB34.7 million for the six months ended 30 June in 2016 from approximately RMB63.3 million for the same period in 2015. The decrease in finance costs was mainly resulted from the decrease in bank borrowings and bank interest rate for the Period.

Share of results of a joint venture

For the six months ended 30 June 2016, the 50% of profit of Jimont attributable to the Group under the equity method was approximately RMB7.5 million (2015: loss of RMB0.4 million). The improvement in profitability was mainly due to the increase in gross profit margin for the Period.

CAPITAL STRUCTURE

Placing of new H Shares and conversion of non-H foreign Shares to H Shares

On 14 January 2016, a specific mandate was granted by the shareholders in shareholders' meetings of the Company to issue not more than 600,000,000 new H Shares (the "Placing Shares") pursuant to a proposed offer by way of private placing of the Placing Shares by or on behalf of the placing agent to the placee(s),on a best endeavour basis, on the terms and subject to the conditions set out in the placing agreement entered into between the Company and the placing agent on 29 September 2015 (the "Placing"). The 600,000,000 Placing Shares represent approximately 69.26% of the existing issued share capital of the Company as at the date of this annual report. On 14 January 2016, a specific resolution was also passed by the shareholders in shareholders' meetings of the Company to approve the conversion of 169,358,404 Non-H Foreign Shares to H Shares (the "Conversion"). After completion of the Conversion, the 169,358,404 Non-H Foreign Shares (representing approximately 19.55% of the existing issued share capital) will be cancelled and the 169,358,404 H Shares newly issued pursuant to the Conversion will rank, when issued and fully paid, pari passu in all respects with the H Shares in issue as at the date of allotment and issue of such H Shares.

On 1 August 2016, the Company announced that the Placing Agreement for the Placing has lapsed as the conditions of the Placing Agreement have not been satisfied or waived on or before 31 July 2016. As such, the Placing has been terminated. The Company will not expand its business into the medical and healthcare industry and introduce Jilin Railway Investment as a strategic partner subsequent to the termination of the Placing.

STATUS OF INVESTMENTS

Joint venture

A joint venture, Jimont, was established on 21 December 2005 and as at 30 June 2016, was currently held equally by the Company and Jiangsu Zhongxin Ziyuan Group Limited (江蘇中新資源集團有限公司). Jimont is mainly engaged in the manufacturing and sales of acrylic fiber products with an annual production capacity of 136,000 tons (2015: 108,000 tons). For the six months ended 30 June 2016, the sales and production volumes of the joint venture were 66,055 tons (2015: 57,094 tons) and 69,657 tons (2015: 54,304 tons), respectively, with a sales-to-production ratio of approximately 95% (2015: 105%). The plant utilisation rate of Jimont during the current period was approximately 102% (2015: 100%). Its net profit for the Period was approximately RMB15.0 million (2015: loss of RMB0.8 million). The increase of net profit as compared to the same period in the previous year was mainly attributable to an increase in gross profit margin.

Entrusted deposits and pledged time deposits

As at 30 June 2016, 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 RMB93.0 million (At 31 December 2015: RMB62.2 million), the Group had no other bank deposits which cannot be freely withdrawn.

Pledged assets

As of 30 June 2016, certain properties, plants and equipment, bills receivables and restricted bank deposits with a net book value of approximately RMB302.1 million, RMB7.2 million and RMB50.0 million respectively (At 31 December 2015: properties, plant and equipment with a net book value of approximately RMB327.4 million) were pledged as securities for bank borrowings of approximately RMB432.3 million (At 31 December 2015: RMB287.7 million). In addition, bank deposits of approximately RMB40.0 million and RMB3.0 million (At 31 December 2015: RMB43.9 million and RMB18.2 million respectively) 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 2016.

Dividend

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2016 (2015: Nil).

INTERESTS OF DIRECTORS AND SUPERVISORS

As at 30 June 2016, 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 2016.

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

During the six months ended 30 June 2016, the Company did not redeem any of its shares. Neither the Company nor its joint venture has purchased or sold any of the listed securities of the Company during the six months ended 30 June 2016.

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 2016, 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 2016, 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.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2016

This announcement will be published on both the websites of the Company (www.qifengfiber.com) and of the Stock Exchange (www.hkexnews.hk). The interim report of the Company for the six months ended 30 June 2016 will be dispatched to the Shareholders and published on the aforesaid websites in due course.

DEFINITIONS

In this announcement, 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 joint venture
"Leased Assets"	certain utility production facilities leased by the Company from JCFCL
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"Period"	The six months ended 30 June 2016
"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
"Utility Facilities"	Utility production facilities including a thermal power plant

By order of the Board
Jilin Qifeng Chemical Fiber Co., Ltd.*
Song Dewu
Chairman

30 August 2016
Jilin, the PRC

* *The Company is registered as a non-Hong Kong company under Part 16 of the Company Ordinance (Chapter 622 of the Laws of Hong Kong) under the English name "Jilin Qifeng Chemical Fiber Co., Ltd."*

As at the date of this announcement, the executive directors of the Company are Mr. Song Dewu, Mr. Yang Xuefeng and Mr. Pan Xianfeng, the non-executive directors of the Company are Mr. Jiang Junzhou, Mr. Ma Jun, Ms. Pang Suet Mui and Mr. Wu Song, and the independent non-executive directors of the Company are Mr. Li Yanxi, Ms. Zhu Ping, Mr. Lv Xiaobo and Mr. Jin Jie.