CHINA SANJIANG FINE CHEMICALS COMPANY LIMITED

中國三江精細化工有限公司

(incorporated in the Cayman Islands with limited liability)

(stock code: 2198)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2012

The board (the "**Board**") of directors (the "**Directors**") of China Sanjiang Fine Chemicals Company Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2012.

RESULTS HIGHLIGHTS	**Six months ended 30 June 2012** *RMB'000*	**Six months ended 30 June 2011** *RMB'000*	**Change**
Revenue	1,085,522	894,440	21.4%
Gross profit	226,401	186,174	21.6%
Gross Profit Margin (%)	20.9%	20.8%	0.1%
Net profit attributable to shareholders	202,544	158,220	28.0%
Net Profit Margin (%)	18.7%	17.7%	1.0%
Earnings per share – Basic (RMB)	20.19 cents	15.48 cents	30.4%
Interim dividend per share (HK$)	-	5.50 cents	-100.0%
Sales Volume of EO (MT)	97,562 MT	70,660 MT	38.1%
Utilisation rate of EO production facilities (Approximate %)	108%	107%	1%

MANAGEMENT DISCUSSION AND ANALYSIS

During the six months ended 30 June 2012 (the "**period under review**"), in spite of challenging economic environment including but not limited to, credit tightening, moderation of economy growth momentum and volatility of global commodities' prices since 2011 in the People's Republic of China ("**PRC**"), the Group has succeeded, among other things, in maintaining a steady gross profit margin and a steady net profit margin when comparing to corresponding period of 2011 and in keeping the growth of the Group through the expansion of ethylene oxide ("**EO**") production capacity with an aim to maintain and further strengthen the Group's position as the largest privately-owned manufacturer and supplier of EO in the PRC.

Revenue of the Group improved by approximately 21.4% reaching approximately RMB1,085.5 million in the first half of 2012 as compared to revenue of approximately RMB894.4 million for the same period of 2011, primarily resulted from the impact of the first full-year operation of the 3rd phase EO production facilities which led to the increase in sales volume of EO by approximately 38.1%. Net profit attributable to shareholders was approximately RMB202.5 million and basic earnings per share was approximately RMB20.19 cents for the six months ended 30 June 2012, representing increases of approximately 28.0% and 30.4% respectively as compared with the same period of last year.

Although the Board commits to stick to the annual dividend payout ratio of 30% in the foreseeable future, no interim dividends were declared by the Board (2011: HK5.5 cents per share) for the six months ended 30 June 2012 in view of the expected capital expenditure of approximately RMB221.4 million to be paid in the second half 2012 for the construction of the 4th phase EO production facilities which will have a designed annual production capacity of approximately 100,000 metric tonnes ("**MT**") of EO. The Board will recommend the payment of a final dividend with reference to the dividend policy of no less than 30% of annual dividend payout ratio for the year ending 31 December 2012.

BUSINESS REVIEW AND OUTLOOK

Latest update on the 1st phase EO production facilities of Sanjiang Honam

The Group is now finalising the construction of the 1st phase EO production facilities (the "**1st phase EO production facilities of JV**") of Sanjiang Honam Chemical Co., Ltd.* (三江湖石化工有限公司) ("**Sanjiang Honam**"), a sino-foreign joint venture company which the Group established in 2010 on a 50:50 basis with Honam Petrochemical Corp ("**Honam**"), an independent third party, which will contribute designed annual EO production capacity of 50,000 MT to the Group. The Group expects the production line will be in a position for commercial operation on a full-load basis by the end of September 2012. After the expected ramp-up of the 1st phase EO production facilities of JV, the Group's aggregate annual designed production capacity of EO will increase by 27.8% from 180,000 MT to 230,000 MT. The Group expects the 1st phase EO production facilities of JV will contribute approximately 13,500 MT for EO production/sales, representing approximately 9,500 MT less than what was originally estimated due to the delay of ramp-up of the production line by approximately two and a half months resulted from the uncertain weather condition and the delay of receipts of certain key parts/components during the construction period.

All the EO to be manufactured by the 1st phase EO production facilities of JV have been scheduled to be supplied at fair market price to the PRC operation of Honam, which has built up a EO-derivative production line at Zhapu Economic Development Zone of Zhejiang Province, PRC, where the Group's existing production plant is located. The Group has made a capital injection of RMB25.2 million into Sanjiang Honam during the first half of 2012 and no further capital injection is expected in the foreseeable future.

Upcoming EO production capacity expansion – the 4th phase EO production facilities

The Group is also finalising the construction of the 4th phase EO production facilities which will have a designed annual production capacity of approximately 100,000 MT of EO and expects the production line will be in a position for commercial operation on a full-load basis by the end of December 2012. Taking into account the expected ramp-up of the 1st phase EO production facility of JV by the end of September 2012 and the expected ramp-up of the 4th phase EO production facilities, the aggregate annual designed production capacity of EO will increase by approximately 80% from the existing aggregate annual designed production capacity of 180,000 MT to an aggregate designed production capacity of 330,000 MT by the end of 2012. The Group expects the actual production volume of EO will increase by approximately 68.6% from approximately 213,500 MT in 2012 to approximately 360,000 MT in 2013.

The Group has made capital expenditure of RMB138.6 million for the construction of the 4th phase EO production facilities during the first half of 2012 and will incur further capital expenditures of approximately RMB221.4 million and RMB40.0 million in the second half of 2012 and in 2013 respectively. The 4th phase EO production facilities is expected to generate operating cash inflow of approximately RMB250.0 million in three months' time from the first day of its commercial operation under the existing business model, primarily because EO customers are on cash on delivery term and required to pay in advance before delivery of goods while the feedstock suppliers are on 90-day letter of credit term. In light of the time lag of approximately 7 months between the aforesaid expected capital expenditure requirements and expected operating cash inflow, the Board considers the Group will be benefited from the saving of finance costs and better management of internal resources through postponing the payment of dividend for the six months ended 30 June 2012 and the Board will recommend the payment of a final dividend with reference to the dividend policy of no less than 30% of annual dividend payout ratio for the year ending 31 December 2012.

Another EO production capacity expansion – the 5th phase EO/EG production facilities

The Group is now planning to construct the 5th phase EO/EG production facilities, which is located at Haiyan Economic Development Zone, another economic development zone located right next to our existing production plant located at Zhapu Economic Development Zone of Zhejiang Province, the PRC. The Group will use and purchase, for the 5th phase EO/EG production facilities, the production technology from Scientific Design Company Inc. ("**SD Company**"), which is the same supplier of the production technologies used for the 1st phase to the 4th phase EO production facilities, under which, EO is regarded as the main product while ethylene glycol ("**EG**") is regarded as the by-product, representing the fact that the 1st phase to the 4th phase EO production facilities can only deliver industrial-grade EG, which is a secondary EG in terms of quality and market selling price when comparing with polyester-grade EG.

The Group has decided to use and purchase a more advanced production technology from SD Company for the 5th phase EO/EG production facilities, which allows shifting the production capacity in certain extent between the production of EO and the production of EG and, in turn, marking it more flexible for the Group to adjust the product mix in response to the market conditions of EO, EG and AEO surfactants. Furthermore, under the aforesaid production technology, both EO and EG are regarded as the main products and the output of EG will be at polyester-grade. The expected output of the 5th phase EO/EG production facilities on an annual production capacity basis will be inbetween:- 1) EO output at a maximum level of 240,000 MT and EG output at a minimum level of 130,000 MT; and 2) EO output at a minimum level of 100,000 MT and EG output at a maximum level of 250,000 MT. Moreover, the 5th phase EO/EG production facilities is equipped with reprocessing function for EG and able to convert industrial-grade EG into polyester-grade EG and the Group expects it will be benefited by approximately RMB15.0 million additionally through the reprocessing of the industrial-grade EG expected to be delivered by the 1st phase to 4th phase EO production facilities.

The Group expects the 5th phase EO/EG production facilities will commence construction during the first quarter of 2013 and the commercial operation will take place at the end of 2014. The aggregate amount of capital expenditure of the 5th phase EO/EG production facilities is expected to be RMB1.3 billion, which will be funded by both bank financing and internal resources of the Group.

Upstream development – MTO production facility

The Group entered into a connected transaction to acquire 75% of the equity interest of Zhejiang Xingxing New Energy Technology Co., Ltd.* (浙江興興新能源科技有限公司) ("**Xingxing**"), a limited liability company established in the PRC, at a consideration of RMB108.5 million on 31 May 2012. Xingxing is principally engaged in the production of ethylene and propylene by processing methanol based on MTO Technology, i.e. Methanol-to-Olefin-based technology and related ancillary technologies and Xingxing acquired the right to use the MTO Technology and related ancillary technologies during 2011. The connected acquisition transaction has been duly approved by independent shareholders and passed as ordinary resolutions at the extraordinary general meeting held on 28 June 2012. The Group expects the acquisition will be completed in September 2012.

Xingxing is going to construct the MTO production facility based on the aforesaid technologies acquired in 2011, which will have designed annual production capacities of approximately 300,000 MT of ethylene and approximately 390,000 MT of propylene. Currently, it has been the Group's strategy to fulfill the production requirement of EO through nearly 100% overseas procurement of ethylene, the core feedstock of EO. After the commercial operation of the 5th phase EO/EG production facilities by the end of 2014, the Group expects its ethylene yearly consumption requirement will be increased up to approximately 420,000 MT of ethylene, representing an increment of 165% or 261,600 MT of ethylene from the consumption level as of the date of this announcement. In view of the expected enormous increase in procurement volume of ethylene in 2014, the Group expects it will be subject to significant price volatility risk and the unstable supply of ethylene and the Group aims to, through the acquisition of Xingxing, be able to obtain the MTO Technology and related ancillary technologies for the Group to achieve vertical integration which enables the Group to secure the supply of ethylene on a long term basis at a relatively reasonable and controllable material cost and, in turn, support the EO production capacity expansion plan of the Group. Furthermore, the Group also aims to diversify its business and products through developing the downstream products of propylene and the Group considers it will bring in additional revenue stream to the Group and will be the major performance booster of the Group for 2015 and onwards after the completion of the 5th phase EO/EG production facilities at the end of 2014.

As at the date of this announcement, Xingxing has obtained all the necessary approvals and licenses for the construction of the MTO production facility. The Group expects the MTO production facility will commence construction in October 2012 and the commercial operation will take place at the end of 2014. The aggregate amount of capital expenditure of the MTO production facility is expected to be RMB2.2 billion, which will be funded by both bank financing and internal resources of the Group.

The Group has obtained a number of offers from various banks in respect of credit line of term loan available to the 5th EO/EG production facilities and the MTO production facility of aggregate amount RMB2.6 billion. Although the Group will incur significant capital expenditures for the 5th phase EO/EG production facilities and MTO production facility, the Group can maintain a gearing ratio of not more than 66.7% on total interest-bearing bank borrowings to total assets basis, which management considers is a better measure when comparing to total interest-bearing bank borrowings to total equity basis as the Group will have rapid expansion of various production facilities in the coming years and there is a time lag of approximately 2 years between the construction period of production facilities and the profit and revenue generated from these facilities.

FINANCIAL REVIEW

Revenue

Revenue for the six months ended 30 June 2012 (the "**Interim Period**") was approximately RMB1,085.5 million, an increase of approximately 21.4%, compared to revenue of approximately RMB894.4 million for the corresponding period of 2011. The increase in revenue was primarily due to the increase in production/sales of EO as a result of the impact of the first full-year operation of the 3rd phase EO production facilities which led to the increase in sales volume of EO by 38.1% during the period under review.

The breakdown of revenue by products and sales volume, average selling price and gross profit margin of our major products during the periods under review are set forth below:

	Six months ended 30 June 2012	*% of revenue*	*Six months ended 30 June 2011*	*% of revenue*	*Variance +/(-)*
REVENUE (RMB'000)					
Ethylene oxide	945,625	87%	750,379	84%	26.0%
Surfactants	61,881	6%	74,114	8%	-16.5%
Surfactants processing services	12,384	1%	7,386	1%	67.7%
Others	65,632	6%	62,561	7%	4.9%
	1,085,522	100%	894,440	100%	21.4%
SALES VOLUME (MT)					
Ethylene oxide	97,562		70,660		38.1%
Surfactants	5,452		4,944		10.3%
Surfactants processing services	28,692		16,771		71.1%
AVERAGE SELLING PRICE (RMB per MT)					
Ethylene oxide	9,693		10,620		-8.7%
Surfactants	11,350		14,991		-24.3%
Surfactants processing services	432		440		-2.0%
GROSS PROFIT MARGIN (%)					
Ethylene oxide	20.6%		19.6%		1.0%
Surfactants	16.1%		18.6%		-2.5%
Surfactants processing services	46.4%		47.0%		-0.6%

Ethylene oxide sales

The aggregate annual designed EO production capacities as at 30 June 2012 and 30 June 2011 were 180,000 MT/year, while the aggregate weighted average designed EO production capacities on an annual basis during the six months ended 30 June 2012 and 30 June 2011 were 180,000 MT/year and 156,000 MT/year respectively.

During the period under review, the revenue from EO sales amounted to RMB945.6 million, which represents an increase of approximately 26.0% when comparing to the corresponding period of 2011. The increase in EO revenue was primarily due to the increase in sales volume by 38.1% or 26,902 MT during the six months ended 30 June 2012 as a result of the impact of the first full-year operation of the 3rd phase EO production facilities during the period under review. The average selling price of EO decreased by approximately 8.7%, which was primarily due to the decrease in average selling price of ethylene, the core feedstock of EO, by approximately 6.0%.

Surfactants sales

The annual designed surfactants production capacities as at 30 June 2012 and 30 June 2011 were 218,000 MT/year. During the period under review, the revenue from surfactants sales decreased by approximately 16.5% to RMB61.9 million for the six months ended 30 June 2012 from RMB74.1 million for the corresponding period of 2011. The decrease in revenue from surfactants sales was primarily due to the decrease in average selling price of surfactants by 24.3% from RMB14,991/MT during the six months ended 30 June 2011 to RMB11,350/MT during the six months ended 30 June 2012. The core feedstocks of surfactant are ethylene oxide and fatty alcohol and as a downstream product of ethylene oxide and fatty alcohol, the price of surfactant is significantly influenced by the prices of ethylene oxide and fatty alcohol. During the six months ended 30 June 2011, the average selling price of surfactants increased substantially by 39.4% when comparing to the corresponding period of 2010, which was resulted from the significant price volatility of fatty alcohol during the corresponding periods. The average selling price of fatty alcohol returned to a restively stable level during the six months ended 30 June 2012 and led to the decrease in average selling price of surfactants.

Income from provision of surfactant processing service

Revenue of surfactant processing services increased by approximately 67.7% from approximately RMB7.4 million during the six months ended 30 June 2011 to approximately RMB12.4 million during the six months ended 30 June 2012. The increase was primarily due to the increase in the surfactant processing volume as we entered into a surfactants processing service contract with a major surfactant customer on a yearly basis.

Gross profit margin

The Group's overall gross profit margin maintained at a similar level in the first half of 2012 when comparing to corresponding period of 2011 (First half of 2012: 20.9%; First half of 2011: 20.8%). The increase in gross profit margin of EO by 1.0% was primarily due to the changeout of catalyst for one of the production facilities in January 2012, which led to better output ratio of EO versus ethylene.

Administrative expenses

Administrative expenses mainly consist of staff related costs, various local taxes and educational surcharge, depreciation, amortization of land use rights, operating lease rental expenses, audit fee and miscellaneous expenses. The increase in administrative expenses by RMB3.2 million or 13.1% for the period under review was primarily due to the increase in staff related costs.

Finance costs

The Group borrows loans from banking institutions in the PRC and Hong Kong for financing its working capital and its overseas procurement. The increase in finance costs for the six months ended 30 June 2012 was primarily due to the increase in average balance of interest-bearing bank borrowings.

CONDENSED CONSOLIDATED STATEMENT OF FINANCE POSITION

At 30 June 2012 – unaudited

	Notes	30 June 2012 *RMB'000*	31 December 2011 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		1,084,776	1,105,092
Prepaid land lease payments		43,920	44,409
Intangible assets		24,883	26,970
Advance payments for property, plant and equipment		180,843	71,636
Investment in jointly-controlled entity	7	114,393	92,105
Deferred tax assets		3,568	476
Total non-current assets		1,452,383	1,340,688
CURRENT ASSETS			
Inventories	12	234,425	222,335
Trade and notes receivables	13	76,767	203,135
Prepayments, deposits and other receivables		199,225	41,294
Due from related parties		1,777	2,220
Available-for-sale investments	11	382,577	478,263
Derivative financial instruments		5,530	-
Entrusted loan receivable	18	150,000	-
Pledged deposits	14	1,054,332	1,001,640
Cash and cash equivalents	14	424,295	272,869
Total current assets		2,528,928	2,221,756
CURRENT LIABILITIES			
Trade and bills payables	15	437,052	335,330
Other payables, accruals and provisions		126,167	125,710
Derivative financial instruments		4,992	-
Interest-bearing bank borrowings	16	1,617,053	1,435,829
Due to directors		8,152	4,052
Due to related parties		1,252	1,954
Tax payable		28,695	25,305
Total current liabilities		2,223,363	1,928,180
NET CURRENT ASSETS		305,565	293,576
TOTAL ASSETS LESS CURRENT LIABILITIES		1,757,948	1,634,264
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	16	-	-
Deferred tax liabilities	17	57,372	47,053
Total non-current liabilities		57,372	47,053
Net assets		1,700,576	1,587,211
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		87,144	87,308
Reserves		574,158	585,220
Retained profits		1,036,662	834,526
Proposed final dividend	10	-	77,705
		1,697,964	1,584,759
Non-controlling interests		2,612	2,452
Total equity		1,700,576	1,587,211

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2012 – unaudited

		Six months ended 30 June	
		2012	**2011**
	Notes	*RMB'000*	*RMB'000*
REVENUE	4	1,085,522	894,440
Cost of sales	6	(859,121)	(708,266)
Gross profit		226,401	186,174
Other income and gains	4	87,151	48,707
Selling and distribution cost		(1,293)	(1,561)
Administrative expenses		(27,798)	(24,581)
Other expenses		(1,300)	(1,442)
Finance costs	5	(33,709)	(12,047)
Share of losses of jointly-controlled entity	7	(2,949)	(783)
PROFIT BEFORE TAX	6	246,503	194,467
Income tax expense	8	(43,799)	(36,044)
PROFIT FOR THE PERIOD		202,704	158,423
Attributable to:			
Equity holders of the parent		202,544	158,220
Non-controlling interests		160	203
		202,704	158,423
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
- Basic	9	20.19 cents	15.48 cents
- Diluted	9	20.16 cents	15.48 cents
INTERIM DIVIDEND DECLARED DURING THE PERIOD	10	-	46,668

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012 – unaudited

		Six months ended 30 June	
		2012	**2011**
	Notes	*RMB'000*	*RMB'000*
Net cash flows from operating activities		178,912	246,516
Net cash flows used in investing activities		(34,095)	(476,888)
Net cash flows from financing activities		6,405	20,272
Net increase/(decrease) in cash and cash equivalents		151,222	(210,100)
Cash and cash equivalents at beginning of period		272,869	601,249
Effect of foreign exchange rate change, net		204	8,967
CASH AND CASH EQUIVALENTS AT END OF PERIOD	14	424,295	400,116

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012 – unaudited

	Attributable to owners of the parent												
	Share Capital *RMB'000*	**Statutory surplus reserve** *RMB'000*	**Share premium** *RMB'000*	**Capital redemption reserve** *RMB'000*	**Available for-sale investment revaluation reserve** *RMB'000*	**Merger reserve** *RMB'000*	**Share award reserve #** *RMB'000*	**Shares held under share award plan #** *RMB'000*	**Retained profits** *RMB'000*	**Proposed interim/ final dividend** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
At 1 January 2012	87,308	136,487	1,042,197	1,111	3,475	(593,592)	350	(4,808)	834,526	77,705	1,584,759	2,452	1,587,211
Profit for the period	-	-	-	-	-	-	-	-	202,544	-	202,544	160	202,704
Change in fair value of available--for-sale investment, net of tax	-	-	-	-	(1,220)	-	-	-	-	-	(1,220)	-	(1,220)
Total comprehensive income for the period	-	-	-	-	(1,220)	-	-	-	202,544	-	201,324	160	201,484
Repurchase and cancellation of ordinary shares	(164)	-	(2,877)	164	-	-	-	-	(164)	-	(3,041)	-	(3,041)
Final 2011 dividend declared	-	-	-	-	-	-	-	-	(244)	(77,705)	(77,949)	-	(77,949)
Equity-settled share award arrangement #	-	-	-	-	-	-	299	(7,428)	-	-	(7,129)	-	(7,129)
At 30 June 2012	87,144	136,487	1,039,320	1,275	2,255	(593,592)	649	(12,236)	1,036,662	-	1697,964	2,612	1,700,576
At 1 January 2011	88,419	86,337	1,188,741	-	-	(593,592)	-	-	481,018	81,852	1,332,775	2,036	1,334,811
Profit for the period	-	-	-	-	-	-	-	-	158,220	-	158,220	203	158,423
Total comprehensive income for the period	-	-	-	-	-	-	-	-	158,220	-	158,220	203	158,423
Final 2010 dividend proposed	-	-	-	-	-		-	-	-	(81,852)	(81,852)	-	(81,852)
Interim 2011 dividend declared	-	-	(46,668)	-	-	-	-	-	-	46,668	-	-	-
Equity-settled share award arrangement #	-	-	-	-	-	-	237	(4,808)	-	-	(4,571)	-	(4,571)
At 30 June 2011	88,419	86,337	1,142,073	-	-	(593,592)	237	(4,808)	639,238	46,668	1,404,572	2,239	1,406,811

\# The Group adopted a share award plan on 31 March 2011 and has set up a trust specifically for the management of the share award plan for the purpose of recognising and rewarding the contribution of its employees. During the period under review, the Group has, through the trust, purchased a total of 3,519,000 shares of the Company. As at 30 June 2012, certain of the Company's shares were granted to certain employees of the Company and the shares granted will be transferred to those selected employees after 5 years from the date of grant. The fair value of services received in return for shares granted is measured by reference to the fair value of shares granted. The estimate of the fair value of the share granted is measured based on fair market value of the shares (i.e. the actual consideration paid for the shares), adjusted for the exclusion of expected dividends to be received in the next 5 years.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

The Company was incorporated with limited liability in the Cayman Islands on 30 January 2009. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1 – 1111, Cayman Islands.

The Company and its subsidiaries (the "Group") are principally engaged in the manufacturing and supplying of ethylene oxide and surfactants. The Group is also engaged in the provision of processing service for surfactants to customers and the production and supply of other chemical products such as ethylene glycol, polymer grade ethylene and industrial gases, namely oxygen, nitrogen and argon. Ethylene oxide is a key intermediary component for the production of ethylene derivative products such as ethylene glycol, ethanolamines and glycol ethers and a wide range of surfactants. Surfactants are widely applied in different industries as scouring agent, moisturising agent, emulsifier and solubiliser.

2 BASIS OF PRESENTATION AND PREARATION

The Group's unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong, the disclosure requirements of Hong Kong Companies Ordinance and applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**").

The unaudited condensed consolidated interim financial statements have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

The Group's unaudited condensed consolidated interim financial statements have been reviewed by the audit committee of the Company.

3 SEGMENT INFORMATION

For management purpose, the Group did not organise into business units based on their products and services and only has one reportable operating segment. Management monitors the operating results of its operating segment as a whole for the purpose of making decisions about resource allocation of performance assessment.

Entity-wide disclosures - Information about products

The following table sets forth the total revenue from external customers by product during the periods:

	Six months ended 30 June	
	2012	**2011**
	RMB'000	*RMB'000*
Ethylene oxide	945,625	750,379
Surfactants	61,881	74,114
Other chemical products	63,023	59,800
Processing services	12,384	7,386
Others	2,609	2,761
	1,085,522	894,440

Entity-wide disclosures - Geographical information

All external revenue of the Group during each of the periods are attributable to customers established in the PRC, the place of domicile of the Group's operating entities. Meanwhile, the Group's non-current assets are overwhelmingly located in the PRC. Therefore, no further geographical information is presented.

4 REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, net of valued-added tax and government surcharges, and after allowances for returns and trade discounts.

An analysis of revenue, other income and gains is as follows:

	Six months ended 30 June	
	2012	**2011**
	RMB'000	*RMB'000*
Revenue		
Sales of goods	1,070,529	884,293
Provision of services	12,384	7,386
Others	2,609	2,761
	1,085,522	894,440
Other income and gains		
Bank interest income	54,463	25,121
Interest income from available-for-sale investments	13,476	-
Project management income***	21,186	-
Government subsidies*	436	1,330
Foreign exchange difference, net	(5,398)	8,928
Other lease income	1,293	38
Gain on disposal/holding of sliver, net**	237	12,071
Others	1,458	1,219
	87,151	48,707

* Government subsidies mainly represented incentive provided by local government for the Group to operate in Jiaxing City, Zhejiang Province, the PRC. There are no unfulfilled conditions or contingencies attached to these grants recognised.

** Sliver is one of the core components of the catalyst used in the EO production facilities. The Group obtains sliver through leasing arrangements and performs catalyst as well as sliver changeout in every overhaul for EO production facilities. Gain on disposal/holding of sliver represents the excess for the Group from choosing to buy and hold sliver at favorable market conditions over disposing sliver at unfavorable market conditions.

*** Project management income represents management fee received or receivable from Sanjiang Honam Chemical Co., Ltd.* (三江湖石化工有限公司) ("**Sanjiang Honam**"), a sino-foreign joint venture company we established in 2010 on a 50:50 basis with Honam Petrochemical Corp ("**Honam**"), an independent third party for managing the construction of the production facility and operating Sanjiang Honam on daily basis.

5 FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June 2012 *RMB'000*	2011 *RMB'000*
Interest on bank loans wholly repayable within five years	33,709	13,690
Less: interest capitalized	-	(1,643)
	33,709	12,047

6 PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended 30 June 2012 *RMB'000*	2011 *RMB'000*
Cost of inventories sold	851,440	703,277
Cost of service provided	7,681	4,989
Depreciation	49,715	37,782
Recognition of prepaid land lease payments	509	519
Amortisation of intangible assets	2,172	1,459
Minimum lease payments under operating leases	678	678

7 INVESTMENT IN A JOINTLY-CONTROLLED ENTITY

	30 June 2012 *RMB'000*	31 December 2011 *RMB'000*
Share of net assets	114,393	92,105

Particulars of the jointly-controlled entity are as follows:

Name	Place and date of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered paid-up capital	Percentage of equity interest attributable to the Group	Principal activities
Sanjiang Honam Petrochemical Company Limited	People's Republic of China 11 May 2010	US$44,000,000	50%	Manufacture of ethylene oxide

The following table illustrates the summarised financial information of the Group's jointly-controlled entity:

	30 June 2012 *RMB'000*	**31 December 2011** *RMB'000*
Share of the jointly-controlled entity's assets and liabilities:		
Current assets	28,856	77,469
Non-current assets	173,262	39,761
Current liabilities	(17,371)	(1,052)
Non-current liabilities	(70,354)	(24,073)
Net assets	114,393	92,105
Share of the jointly-controlled entity's results:		
Total expenses	(2,949)	(4,057)
Tax	-	-
Loss after tax	(2,949)	(4,057)

8 INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The income tax expense of the Group for the periods are analysed as follows:

	Six months ended 30 June	
	2012 *RMB'000*	**2011** *RMB'000*
Current - PRC		
Charge for the period	37,015	29,698
Deferred	6,784	6,346
Total tax charge for the period	43,799	36,044

Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

Pursuant to the relevant tax law of the Hong Kong Special Administrative Region, Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. No provision for income tax has been made as the Group did not generate any assessable profits in Hong Kong during the period.

During the Fifth Session of the Tenth National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the "**Corporate Income Tax Law**") was approved and became effective on 1 January 2008. The Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rates for domestic-invested and foreign-invested enterprises at 25%. In this connection, Sanjiang Chemical Co., Limited ("**Sanjiang Chemical**"), Yongming Petrochemical Co., Limited ("**Yongming Petrochemical**"), Sanjiang Trading Co., Limited ("**Sanjiang Trading**"), Jiaxing Port Area Industrial Park Guanlang Co., Limited ("**Guanlang**"), Hangzhou Textile Auxiliaries Co., Limited ("**Hangzhou Sanjiang**") and Zhejiang Sanjiang New Material Co., Limited ("**Sanjiang New Material**") have been subject to corporate income tax ("**CIT**") at the rate of 25% since 2008.

Sanjiang Chemical was registered as a foreign-invested enterprise on 9 December 2003. Sanjiang Chemical was subject to CIT at a rate of 25% for the periods ended 30 June 2012 and 2011. Pursuant to the approval of the tax bureau, Sanjiang Chemical has been qualified as a high-new technology company since 2010, which may enjoy a favourable CIT tax rate of 15% from period 2010 to period 2012. Therefore, Sanjiang Chemical was subject to CIT at a rate of 15% for the period ended 30 June 2012 (2011: 15%).

Yongming Petrochemical was registered as a foreign-invested enterprise on 9 December 2003 and subject to CIT at a rate of 25% for the periods ended 30 June 2012 and 2011. Pursuant to the approval of the tax bureau, Yongming Petrochemical was exempted from CIT for its first two profit-making periods (after deducting losses incurred in previous periods) and was entitled to a 50% tax reduction for the succeeding three periods. In accordance with the Corporate Income Tax Law, the tax concession would be deemed to commence from 1 January 2008 even if the company did not have taxable profits at that time. Although Yongming Petrochemical was in an accumulative loss position as at 1 January 2008, its tax concession was deemed to have started in 2008. Therefore, Yongming Petrochemical was subject to CIT at a rate of 12.5% for the period ended 30 June 2012 (2011: 12.5%).

Guanlang was registered as a domestic-invested enterprise on 29 September 2005 and was subject to CIT at a rate of 25% for the period ended 30 June 2012 (2011: 25%).

Sanjiang Trading was registered as a domestic-invested enterprise on 29 October 2004 and was subject to CIT at a rate of 25% for the period ended 30 June 2012 (2011: 25%).

Hangzhou Sanjiang was registered as a domestic-invested enterprise on 1 April 2010 and was subject to CIT at a rate of 25% for the period ended 30 June 2012 (2011: 25%).

Sanjiang New Material was registered as a foreign-invested enterprise on 23 December 2011 and was subject to CIT at a rate of 25% for the period ended 30 June 2012.

A reconciliation of the tax expense applicable to profit before tax using the statutory rates in Mainland China to the tax expense at the effective tax rates is as follows:

	Six months ended 30 June	
	2012	**2011**
	RMB'000	*RMB'000*
Profit before tax	246,503	194,467
Tax at the statutory tax rates	61,626	48,617
Tax effect of tax concession and allowances	(28,843)	(22,150)
Tax losses not recognised	728	1,686
Expenses not deductible for tax	14	1,046
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	9,876	6,939
Others	398	(94)
Tax charge at the Group's effective rate	43,799	36,044

9 EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the period.

The calculation of diluted earnings per share amounts is based on the profit for the period attributable to equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares under the share award plan.

The calculations of basic and diluted earnings per share are based on:

	Six months ended 30 June	
	2012	**2011**
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent	202,544	158,220

	Six months ended 30 June	
	2012	**2011**
	Number of shares	
	'000	*'000*
Shares		
Weighted average number of ordinary shares in issue during the year	1,002,969	1,022,303
Effect of dilution – weighted average number of ordinary shares:		
Share award plan	1,912	-
	1,004,881	1,022,303

10 DIVIDENDS

i) Dividends payable to equity shareholders of the Company attributable to the period:

	Six months ended 30 June	
	2012	**2011**
	RMB'000	*RMB'000*
No interim dividend was declared after the Interim Period (2011: HK 5.5 cents per ordinary share)	-	46,668

The interim dividend is not recognized as a liability as period end.

ii) Dividends payable to equity shareholders of the Company attributable to the previous financial period, approve and paid during the period:

	Six months ended 30 June	
	2012	**2011**
	RMB'000	*RMB'000*
Final dividend in respect of the financial year ended 31 December 2011, approved and paid during the following period, of HK$9.5 cents per ordinary shares (2011: HK$9.5 cents), calculated based on the number of ordinary shares used in the basic earnings per share calculation	77,705	81,852

11 AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2012	**31 December 2011**
	RMB'000	*RMB'000*
Current		
Unlisted equity investment, at fair value	382,577	478,263
Non-current		
Unlisted equity investment, at fair value	-	-
	382,577	478,263

The Group has investments in trust financial products provided by certain financial institutions, which have a fixed maturity term of less than 6 months and no fixed coupon rate. These trust financial products have been accounted for as available-for-sale investment and have been valued based on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics.

12 INVENTORIES

	30 June 2012	**31 December 2011**
	RMB'000	*RMB'000*
Raw materials	224,775	213,718
Finished goods	9,650	8,617
	234,425	222,335

13 TRADE AND NOTES RECEIVABLES

	30 June 2012	**31 December 2011**
	RMB'000	*RMB'000*
Trade receivables	9,756	15,463
Notes receivables	67,011	187,672
	76,767	203,135
Less: Impairment	-	-
	76,767	203,135

The credit period is generally 15 to 30 days, extending up to three months for certain customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The maturity of notes receivables is due within six months.

No provision for impairment of trade receivables was made as at 30 June 2012 and as at 31 December 2011 and 2010.

An aged analysis of the trade receivables and notes receivables of the Group as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2012 *RMB'000*	**31 December 2011** *RMB'000*
1 to 30 days	29,286	107,015
31 to 60 days	11,221	52,698
61 to 90 days	10,380	7,132
91 to 360 days	25,794	36,203
Over 360 days	86	87
	76,767	203,135

The aged analysis of the trade receivables and notes receivables that are neither individually nor collectively considered to be impaired is as follows:

	30 June 2012 *RMB'000*	**31 December 2011** *RMB'000*
Neither past due nor impaired	73,650	195,336
Less than 30 days past due	1,157	6,050
31 to 60 days past due	974	330
61 to 90 days past due	299	600
91 to 360 days past due	601	732
Over 360 days	86	87
	76,767	203,135

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to an independent customer that has a good track record with the Group. Based on past experience, the Directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

14 CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2012 *RMB'000*	**31 December 2011** *RMB'000*
Cash and bank balances	424,295	272,869
Time deposits	1,054,332	1,001,640
	1,478,627	1,274,509
Less: Pledged time deposits:		
Pledged for note payables	25,664	3,350
Pledged for bank loans	1,028,668	998,290
Cash and cash equivalents	424,295	272,869

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between two and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

15 TRADE AND BILLS PAYABLES

	30 June 2012 *RMB'000*	**31 December 2011** *RMB'000*
Trade payables	394,891	335,330
Notes payables	42,161	-
	437,052	335,330

An aged analysis of the trade payables and bills payables as at the end of the reporting periods, based on the invoice date for trade and bills payables is as follows:

	30 June 2012 *RMB'000*	**31 December 2011** *RMB'000*
Within 3 months	428,280	329,740
3 to 6 months	7,168	3,907
6 to 12 months	581	257
12 to 24 months	82	788
24 to 36 months	473	247
Over 36 months	468	391
	437,052	335,330

The trade and bills payables are non-interest-bearing and have an average credit term of three to six months.

16 INTEREST-BEARING BANK BORROWINGS

	Effective Interest rate (%)	*Maturity*	**30 June 2012** *RMB'000*	**31 December 2011** *RMB'000*
Current				
Bank loans – secured#	2.235-5.049	Within 1 year	988,032	-
Bank loans – secured#	2.988-5.076	Within 1 year	-	1,050,021
Bank loans – unsecured	3.217-5.076	Within 1 year	629,021	-
Bank loans – unsecured	3.393-4.627	Within 1 year	-	385,808
			1,617,053	1,435,829
Non-current				
Bank loans – secured#			-	-
			1,617,053	1,435,829

	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
Repayable:		
Within one year or on demand	1,617,053	1,435,829
In the second year	-	-
In the third to fifth years, inclusive	-	-
	1,617,053	1,435,829

\# The Group's bank borrowings are secured by the Group's time deposit amounting to RMB1,054,332,000 as at 30 June 2012 (31 December 2011: RMB1,001,640,000).

17 DEFERRED TAX LIABILITIES

The movement in deferred tax liabilities during the periods is as follows:

	Available-for-sale investment revaluation	Withholding tax on distributable profits	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2011	-	32,911	32,911
Deferred tax charged to the income statement during the year	-	13,626	13,626
Deferred tax charged to other comprehensive income during the year	516	-	516
At 31 December 2011 and 1 January 2012	516	46,537	47,053
Deferred tax charged to the income statement during the year	-	9,876	9,876
Deferred tax charged to other comprehensive income during the year	443	-	443
At 30 June 2012	959	56,413	57,372

18 ENTRUSTED LOAN RECEIVABLE

As at 30 June 2012, the Group has entrusted loan receivables due from Xinhu Zhongbao Co., Ltd.* (新湖中宝股份有限公司), which amounted to RMB150 million. The amounts due form Xinhu Zhongbao Co., Ltd. are interest bearing at a rate of 12.0% per annum, secured by two land use right with site areas of approximately 42,646.60 square meters and 20,199.0 square meters, located in Tongxiang City, Zhejiang Province, the PRC and Wujiang City, Jiangsu Province, the PRC respectively, owned by two of the subsidiaries of Xinhu Zhongbao.

The directors of the Company are of the opinion that no provision for impairment is necessary in respect of the balance and the balance is considered fully recoverable on maturity.

CAPITAL COMMITMENTS

As at 30 June 2012, the Group has capital commitments amounted to approximately RMB126.5 million and approximately RMB268.8 million which were primarily related to the procurement of plant and machinery for the constructions of additional production capacities and capital injection into one of the subsidiaries respectively.

CONTINGENT LIABILITIES

As at 30 June 2012, the Group had not provided any form of guarantee for any company outside the Group. The Group is not involved in any current material legal proceedings, nor is our Group aware of any pending or potential material legal proceedings involving the Group.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2012, the Group employed a total of 468 full time employees. The Group's employee benefits included housing subsidies, shift subsidies, bonuses, allowances, medical check-up, staff quarters, social insurance contributions, housing fund contributions and share award scheme. The remuneration committee of the Company (the "**Remuneration Committee**") reviews such packages annually, or when the occasion requires. The executive Directors, who are also employees of the Company, receive remuneration in the form of salaries, bonuses and other allowances.

LIQUIDITY AND FINANCIAL RESOURCES

Financial position and bank borrowings

The Group had cash and bank balances of approximately RMB424.3 million as at 30 June 2012 (31 December 2011: approximately RMB272.9 million), most of which were denominated in Renminbi. The Group had interest-bearing bank borrowings of approximately RMB1,617.1 million as at 30 June 2012 (31 December 2011: approximately RMB1,435.8 million). Please refer to note 16 to the unaudited condensed consolidated financial statements of this announcement for the details of borrowings and the respective charge of assets.

The Group's gearing, expressed as a percentage of total interest-bearing bank borrowings to total assets, maintained at a similar level as at 30 June 2012 when comparing to 31 December 2011 (30 June 2012: 40.6%; 31 December 2011: 40.3%).

Working capital

Total inventories as at 30 June 2012 were approximately RMB234.4 million as compared to approximately RMB222.3 million as at 31 December 2011. The inventory turnover days increased by approximately 11.6 days in the first half of 2012 (First half of 2012: 47.8 days; Full year of 2011: 36.2 days), primarily due to the impact of first full year operation of the 3rd phase production facilities and the Group purchased more feedstock for production on a yearly basis.

The trade and notes receivables turnover days slightly increased in 2012 as compared to 2011 (First half of 2012: 23.2 days; Full year of 2011: 21.0 days), primarily resulted from the inclusion of more note receivables (First half of 2012: RMB67.0 million; Full year of 2011: RMB187.7 million; Full year of 2010: RMB22.6 million) as at 30 June 2012 when comparing to 2010. Normally, majority of our EO customers are required to pay in advance before delivery in order to secure supply of our products and, in 2011, the Group provided more flexible settlement approaches to customers with good potentials on a basis that it would not affect credit risk and certain of these customers have chosen to settle earlier for purpose of saving finance costs in 2012.

The trade payables turnover days was considered short and maintained at a similar level in the first half of 2012 as compared to 2011 (First half of 2012: 80.9 days; Full year of 2011: 59.7 days). The Group primarily uses letters of credit with a maturity period of 90 days in average to settle our trade payables.

INTERIM DIVIDEND

No interim dividends were declared by the Board of Directors (six months ended 30 June 2011: HK$5.5 cents per share) for the six months ended 30 June 2012.

CORPORATE GOVERNANCE

The Company has adopted the code provisions in the Corporate Governance Code and Corporate Government Report ("CG Code"), including any revisions and amendments from time to time, as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") as its own code of corporate governance. The Board considers that the Company has complied with all the code provisions of the CG Code during the six months ended 30 June 2012 and up to the date of this announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as its own code for securities transactions by Directors and senior management. Having made specific enquiries, all the Directors confirmed that they have complied with the Model Code throughout the six months ended 30 June 2012 and up to the date of this announcement.

AUDIT COMMITTEE

As at the date of this announcement, the audit committee of the Company (the "**Audit Committee**") has three members, namely Messrs. Shen Kaijun, Wang Wanxu and Mui Ho Cheung, Gary, all of whom are independent non-executive Directors. The chairman of the Audit Committee is Mr. Shen Kaijun. The primary responsibilities of the Audit Committee include, among others, reviewing and supervising the financial reporting process and internal control system of the Group, nominating and monitoring external auditors and providing advice and comments to the Board.

The Audit Committee has reviewed with the management and agreed with the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited condensed consolidated financial statements for the six months ended 30 June 2012.

REMUNERATION COMMITTEE

As at the date of this announcement, the Remuneration Committee has three members, namely Messrs. Wang Wanxu, Mui Ho Cheung, Gary and Guan Jianzhong, of whom Messrs. Wang Wanxu and Mui Ho Cheung, Gary are independent non-executive Directors and Mr. Guan Jianzhong is the Chairman of the Board and an executive Director. The chairman of the Remuneration Committee is Mr. Wang Wanxu. The primary responsibilities of the Remuneration Committee include, among others, evaluating the performance and making recommendation on the remuneration package of the Directors and senior management, and evaluating and making recommendation on the share award plan of the Company.

NOMINATION COMMITTEE

As at the date of this announcement, the nomination committee of the Company (the "**Nomination Committee**") consists of three members, namely Messrs. Guan Jianzhong, Wang Wanxu and Shen Kaijun, of whom Messrs. Wang Wanxu and Shen Kaijun are independent non-executive Directors and Mr. Guan Jianzhong is the Chairman of the Board and an executive Director. The chairman of the Nomination Committee is Mr. Guan Jianzhong. The primary responsibilities of the Nomination Committee include, among others, considering and recommending to the Board suitably qualified persons to become the member of the Board and reviewing the structure, size and composition of the Board on a regular basis and as required.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

During the period under review, the Company repurchased a total of 2,015,000 of its ordinary shares of HK$0.10 each on the Stock Exchange at prices ranging from HK$1.81 to HK$1.95 per share, for a total consideration of HK$3,739,000.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2012.

PUBLICATION OF INTERIM REORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The Company's Interim Report for the six months ended 30 June 2012 will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.chinasanjiang.com) in due course.

By order of the Board
China Sanjiang Fine Chemicals Company Limited
GUAN Jianzhong
Chairman and Executive Director

People's Republic of China, 23 August 2012

As at the date of this announcement, the board of the Directors comprises four executive Directors: Mr. GUAN Jianzhong, Ms. HAN Jianhong, Mr. NIU Yingshan and Mr. HAN Jianping and three independent non-executive Directors: Mr. WANG Wanxu, Mr. SHEN Kaijun and Mr. MUI Ho Cheung, Gary.

In this announcement, if there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of names or any descriptions in Chinese which are marked with "" is for identification purpose only.*