Significant Events

1. On 1 January 2005, the Company formally implemented its internal control system, which covers the Company's production and operational chain and key business sectors. The Company carried through yearly and quarterly checkup and evaluation of the deployment and therewith revised it. The Company had set up management and functional departments of the internal control system in March 2003 to lead and develop this special work. In light of the new regulatory requirements both locally and overseas, the system was examined and revised by the 13th meeting of the fifth term held on 30 March 2007.

2. In accordance with the Articles of Association of the Company, the Board resolved that no interim dividend was paid for the time ended 31 December 2006.

   In order to make up the losses of previous years, the Board proposed no final dividend to be paid for the year ended 31 December 2006 according to the Company Law and the Articles of Association of the Company.

3. According relative laws or regulations of "Several Opinions of the State Council on Promoting the Reform, Opening-up and Stable Development of the Capital Market" (No. 3, 2004 of the State Council) and "Guidance Opinions on the Share Reform of Listed Companies" jointly promulgated by CSRC, State-Owned Assets Supervision and Administration Commission of the State Council, Ministry of Finance, People's Bank of China and Ministry of Commerce, the Company's non-circulating shareholders brought forward the proposal of share reform on 29 September 2006. After performing the operation process of share reform, the "Share Reform Scheme of Sinopec Yizheng Chemical Fibre Company Limited" was not passed by the shareholders' meeting of A share market relating to the share reform scheme held on 8 November 2006.

   The non-circulating shareholders are studying the share reform arrangement of the Company according to relevant policy and regulations. But there is no concrete plan at present.

4. During the reporting period, the Company (including subsidiaries) did not have any material litigation or arbitration.

5. During the reporting period, details of disposal of assets during the reporting period are as follows:

   As to the placing of Tianma Chemical Fibre, a wholly-owned subsidiary of the Group, on Shanghai United and Equity Exchange ("**SUAEE**") by equity transfer, on 15 August 2006, the Board announced that Shenzhen Bangduo Company Limited ("**Shenzhen Bangduo**"), one of the purchasers, suffered from financial difficulty and was unable to execute the conditional sale and purchase agreement. Shenzhen Bangduo revoked the original sale and purchase agreement and forfeited the deposit paid to the Group amounting to about Rmb 15 million pursuant to the agreement stipulations. Such deposit is sufficient to compensate for the loss of the continuing operation of Tianma Chemical Fibre. As a result, no additional losses were suffered. Through the Company's endeavour and in accordance with relevant regulations of SUAEE, on 14 August 2006, the Group entered into a new sale and purchase agreement with Ease Birch (Hong Kong) Limited ("**Ease Birch HK**") and two other new third-party purchasers, Zhejiang Jintai Construction Materials Company Limited ("**Zhejiang Jintai** ")and Shenzhen Jinyihua Investment Company Limited ("**Shenzhen Jinyihua**"), to dispose of its 100% equity interest in Tianma Chemical Fibre in terms of previously decided deal content and price. The relevant consideration for share transfer was received on 8 September 2006 and the following works such as relevant management right transfer had been completed according to the Sale and Purchase Agreement.

   Details refer to the 2005 Annual Report, 2006 Interim Report, and the related announcement was disclosed in China Securities, Shanghai Securities News, Securities Times on 31 October 2005, 26 December 2005, 27 March 2006, 16 August 2006 and 12 September 2006, Hong Kong Economic Times and South China Morning Post on 31 October 2005, 28 December 2005, 27 March 2006, 16 August 2006 and 12 September 2006.

   During the reporting period, the Group had no other acquisition and disposals of assets as well as merger and acquisition activities other than mentioned above and item 6.(b) of "Significant Events" of the Annual Report.

During the reporting period, details of disposal of assets are as follows:

Transaction parties and sold assets	Selling date	Selling price	Net profit contributions to the Company of the assets from the beginning of the year to the selling date	Whether it is connected transactions	Whether the transfer of property has been done
Parties: Zhejiang Jintai, Shenzhen Jinyihua, Ease Birch HK Sold assets: the equity of Tianma Chemical Fibre, a wholly-owned subsidiary of the Company and the evaluated price is Rmb 482 million	14 August 2006	Rmb 230 million (reduced by operating loss during the period between 31 July 2005 and 31 March 2006)	Not applicable	No	Yes
Parties: CPC Sold assets: 2 per cent shares of the Sinopec Finance held by the Company	20 March 2006	Rmb 82,000,000	Not applicable	Yes	Yes

6. Information on connected transactions

The Group's material connected transactions entered into during the year ended 31 December 2006 were as follows:

(a) The following are the significant connected transactions relating to ordinary operation during the reporting period.

Type of transaction	Transaction parties	Amount of transaction Rmb'000	Proportion of the same type of transaction (%)
Purchase of raw materials	Sinopec and its subsidiary	8,431,148	59.8
	Of which: Sinopec Yangzi Petrochemical Company Limited	4,608,171	32.7
	China Petroleum & Chemical Corporation, Zhenhai Branch	3,005,402	21.3

The Group is of the opinion that the above-mentioned connected transactions and related connected parties were necessary and continuous, and that the agreement governing these transactions were fitted with the requirements of business operation and market situation. Meanwhile, The Company is of the opinion that purchasing of goods from the above related parties ensures a steady and secured supply of raw materials. Therefore, these connected transactions are beneficial to the Group. These transactions were negotiated at market price. The above transactions have no adverse effect on the Group's profit and independency of the Company.

(b) During the reporting period, there were no significant connected transactions related to the transfer of the asset or equity in the Group other than mentioned below.

The Company signed the equity transfer agreement with CPC on 20 March 2006. Pursuant to which the Company agreed to sell and CPC agreed to buy 2 per cent shares of the Sinopec Finance held by the Company, the corresponding consideration is Rmb 82 million in cash. The requisite transfers of rights and interests have been completed.

The related announcement was disclosed in China Securities, Shanghai Securities News, Securities Times, Hong Kong Economic Times and South China Morning Post on 21 March 2006.

(c) The process of cleaning up the non-operating funds supplied by the Company to the controlling shareholders and its subsidiaries during the reporting period.

Balance of non-operating funds supplied by the Company to the controlling shareholders and its subsidiaries		Repayment total during the reporting period	Mode of repayment	Repayment amount	Time of repayment
At the beginning of the reporting period	At the end of the reporting period				
Rmb 2,754,197.35	–	Rmb 2,754,197.35	Cash	Rmb 42,471	February 2006
			Correction of non-material accounting error	Rmb 2,711,726.35	April 2006

Explanation for the non-operating supplied by the Company to the controlling shareholders and its subsidiaries and the process of cleaning up the occupied capital	As at 31 December 2005, the non-operating funds supplied by the Company to the ultimate controlling shareholders and its subsidiaries is Rmb 2,754,197.35, whose ageing was more than one year. In February 2006, Rmb 42,471.00 was repaid in cash. The other account receivable is incurred from the difference in confirming the public engineering computation of previous years, which generates a statistical error for both parties and results in non-material accounting error. According to the "Accounting Standards for Business Enterprises No.28 -Accounting Policy Changes, Accounting Estimation Modification and Accounting Error Correction", the loss was recognized in income statement at the end of April.

During the reporting period, there were no newly added non-operating funds supplied by the Company to the controlling shareholders and its subsidiaries.

The Board believed that the above transactions were entered into the ordinary course of business and in normal commercial terms or in accordance with the terms of agreements governing these transactions. The above applicable connected transactions are fully complied with the related regulations issued by the HKSE and the SSE. For details of connected transactions entered into by the Company during the reporting period, please refer to note 29 of the financial statements prepared in accordance with the PRC Accounting Rules and Regulations. Independent directors have reviewed the above-mentioned connected transactions according to the regulations as stipulated in the Listing Rules, and made necessary confirmation in a letter submitted to the Board on 30 March 2007. Auditors of the Company have reviewed the above-mentioned connected transactions and provided a letter to the Board on 30 March 2007.

7. The Company did not have any asset leased or contracted out or held on trust for other companies. Furthermore, the Company did not rent or contract any asset from other companies and did not have assets held by other companies.

8. The Company did not make any guarantee or pledge during the reporting period.

9. As at 31 December 2006, the Group did not have any designated deposits with any financial institutions or any difficulties in collecting deposits upon maturity. The Group had no trusted financial matters during the reporting period.

10. Construction of a PTA project with an annual capacity of 1,000,000 tonnes was approved for investment in the 22nd meeting of the Board of the fourth term held on 29 March 2005. The estimated investment of this project amounted to Rmb 3.81 billion (including foreign currency USD 175 million). Presently, the Company is optimising the construction scheme.

11. The changes of board directors, Supervisors and Senior Management during the reporting period are set forth in the section on "Directors, Supervisors and Senior Management.

12. According to the relevant tax rules and regulations in the PRC, the income tax rate applicable to the Company is 15 per cent. The preferential income tax rate is still applicable for the year ended 31 December 2006. The Company has not received any notice from the tax authorities regarding changes to this rate. Pursuant to the PRC enterprise income tax law passed by the Fifth Plenary Session of the Tenth National People's Congress on 16 March 2007, the new enterprise income tax rates for domestic and foreign enterprises are unified at 25% and will be effective from 1 January 2008. The impact of such change of enterprise income tax rate on the Group's consolidated financial statements will depend on detailed pronouncements that are subsequently issued. Since implementation and transitional guidance applicable to the Group has not yet been announced, the Group cannot reasonably estimate the financial impact of the new tax law to the Group at this stage.

13. As approved in the 2005 AGM, KPMG Huazhen and KPMG were re-appointed as the Company's domestic and international auditors for 2006, and the Board was authorized to approve their remunerations.

The amounts of remuneration paid to the domestic and international auditors for the two years ended 31 December 2006 are as follows:

	2006	2005
KPMG Huazhen Audit fee	**Rmb1,613,000 (Rmb1,357,500 paid)**	Rmb2,027,500 (paid)
KPMG Audit fee	**Rmb3,548,000 (Rmb2,986,500 paid)**	Rmb4,460,500 (paid)

Note: The fees include the business trip allowance.

KPMG Huazhen and KPMG have provided audit services to the Company for 14 years.

14. According to "Protocol on the Accession of the PRC" and the related legal documents, the PRC government must reduce the import tariff rates on the polyester products and major polyester raw materials from 1 January 2007 in accordance with the progressive table below:

Type	2001	2002	2003	2004	2005	2006	**2007**	2008
Polyester chips	16%	12.8%	11.8%	10.7%	9.7%	8.6%	**7.6%**	6.5%
Polyester staple fibre	17%	10.6%	7.8%	5%	5%	5%	**5%**	5%
Polyester filament	21%	14%	11%	8%	5%	5%	**5%**	5%
PX	8%	5%	4%	3%	2%	2%	**2%**	2%
MEG	12%	8.8%	7%	5.5%	5.5%	5.5%	**5.5%**	5.5%
PTA	14%	12.8%	8%*	7%*	6.5%*	6.5%*	**6.5%***	6.5%

* *Temporary most-favored-nation tariff rate, effective in the relevant year*

Upon formal entry into WTO, import quotas for polyester and polyester fibre products were completely removed.

15. On 14 July 2006, the U.S. Department of Commercial Affairs declared its initiation of an anti-dumping investigation targeting imported polyester staple fibre from the PRC. The products involved are polyester staple fibre not combed or processed other that at the stages before-spinning. The preliminary conclusion of industry damaging was made on 8 August 2006. And the preliminary conclusion of anti-dumping was made on 18 December 2006.

    The Group did not export the products mentioned above to U.S. during the period under investigation, and the Company did not answer the prosecution. The influence of the case on the Company is limited.

16. The Company and its shareholders who hold more than 5 per cent of the Company's shares did not have any undertaking, which required disclosures.

17. Save as those disclosed above, the Group did not have any major event, or disclosure matter referred to in the Article 62 of the Security Law of the PRC, Article 60 of the "Provisional Regulations of Administration of the Issuing and Trading of Shares of the PRC" and the Article 30 of "Disclosure of Information by Public Listing Companies" during the reporting period.