Significant Differences Between the Financial Statements of the Group Prepared in Accordance with the PRC Accounting Rules and Regulations and IFRSs:

Other than the differences in the classifications of certain financial statements captions and the accounting treatment of the items described below, there are no material differences between the Group's financial statements prepared in accordance with the PRC Accounting Rules and Regulations and IFRSs. The reconciliation presented below is included as supplemental information, is not required as part of the basic financial statements and does not include differences related to classification, presentation or disclosures. Such information has not been subject to independent audit or review. A summary of the major differences is as follows:

(i) Under IFRSs, land use rights are carried at historical cost less accumulated amortisation and impairment losses. Under the PRC Accounting Rules and Regulations, land use rights are carried at revalued amount less accumulated amortisation and impairment losses.

(ii) Under IFRSs, to the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the borrowing costs could be capitalised as part of the cost of that asset. Under the PRC Accounting Rules and Regulations, only borrowing costs on funds that are specifically borrowed for construction are eligible for capitalisation as property, plant and equipment.

(iii) Under IFRSs, with effect from 1 January 2005, minority interests at the balance sheet date are presented in the consolidated balance sheet as part of equity, separately from the amounts attributable to equity shareholders of the Company, and minority interests in the results of the Group for the year are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and equity shareholders of the Company. Under the PRC Accounting Rules and Regulations, minority interests at the balance sheet date are presented in the consolidated balance sheet separately from liabilities and shareholders' funds. Minority interests in the results of the Group for the year were also separately presented in the consolidated income statement as a deduction before arriving at the net profit/loss for the year.

(iv) Under IFRSs, when a venturer contributes property, plant and equipment with revaluation surplus to a jointly controlled entity as capital injection, the venturer recognises that portion of the revaluation gain in the income statement that is attributable to the interests of the other venturer. Under the PRC Accounting Rules and Regulations, the venturer recognises that portion of the revaluation gain as an equity investment difference and recorded in "Capital surplus-reserve for equity investment".

(v) Under IFRSs, the carrying amount of negative goodwill as at 1 January 2005 that arose from a business combination for which the agreement date was before 31 March 2004 was derecognised as at that date with a corresponding adjustment to the opening balance of retained earnings as at 1 January 2005. However, the balance of negative goodwill recognised in the Group's financial statements prepared under the PRC Accounting Rules and Regulations was written back as at 31 December 2005 as the carrying amount of the related long-term investment was higher than its recoverable amount as at that date.

Significant Differences Between the Financial Statements of the Group Prepared in Accordance with the PRC Accounting Rules and Regulations and IFRSs:

Reconciliation of the profit/(loss) for the year and total equity of the Group in the financial statements prepared in accordance with the PRC Accounting Rules and Regulations and IFRSs are summarised below:

	Note	The Group 2006 Rmb'000	The Group 2005 Rmb'000
Profit/(loss) for the year under the PRC Accounting Rules and Regulations		**37,415**	(954,279)
Adjustments:			
– Reversal of amortisation of revaluation of land use rights	(i)	**5,280**	5,280
– Capitalisation of general borrowing costs	(ii)	**(1,689)**	2,330
– Minority interests	(iii)	**415**	(485)
– Realisation of revaluation gain	(iv)	**–**	9,644
– Negative goodwill	(v)	**–**	(29,341)
– Effects of the above adjustments on taxation		**(538)**	(1,142)
Profit/(loss) for the year under IFRSs		**40,883**	(967,993)
Total equity under the PRC Accounting Rules and Regulations		**8,274,261**	8,223,575
Adjustments:			
– Revaluation of land use rights	(i)	**(194,480)**	(199,760)
– Capitalisation of general borrowing costs	(ii)	**19,528**	21,217
– Minority interests	(iii)	**47,652**	52,104
– Effects of the above adjustments on taxation		**26,243**	26,781
Total equity under IFRSs		**8,173,204**	8,123,917

Review Report

KPMG Huazhen

To the shareholders of Sinopec Yizheng Chemical Fibre Company Limited ("the Company"):

We have reviewed the attached reconciliation statement of differences in consolidated shareholders' funds between the new and old accounting standards of the Company as at 31 December 2006 and 1 January 2007 ("**the reconciliation statement of differences**"). It is the responsibility of the Company's management to prepare the reconciliation statement of differences in accordance with the basis of preparation set out in note 2 to the reconciliation statement of differences and the "Notice on the Proper Disclosure of Financial and Accounting Information in Relation to the New Accounting Standards" (Zheng Jian Fa [2006] No. 136) ("**the Notice**"). Our responsibility is to issue a review report on the reconciliation statement of differences based on our review.

According to relevant requirements of the Notice, we conducted our review by reference to the Standard on Review Engagements for Certified Public Accountants Registered in the PRC 2101 – Engagements to Review Financial Statements. The standard requires that we plan and perform the review to obtain limited assurance about whether the reconciliation statement of differences is free from material misstatement. A review is limited largely to making enquiries of relevant personnel of the Company about the accounting policies and all the important assumptions underlying the reconciliation statement of differences, obtaining an understanding of the calculation of the reconciled amounts in the reconciliation statement of differences, reading the reconciliation statement of differences to determine whether the basis of preparation has been properly followed and performing analytical procedures as and when necessary. A review provides a lower level of assurance than an audit. We have not conducted an audit and accordingly, we do not express an audit opinion.

On the basis of our review, we are not aware of any issues which cause us to believe that the above reconciliation statement of differences has not been prepared, in all material respects, in accordance with the basis of preparation set out in note 2 to the reconciliation statement of differences.

KPMG Huazhen

Certified Public Accoutants
Registered in the People's Republic of China

Hu Qiong

Beijing, the People's Republic of China

Yu Xiao-jun

30 Mach 2007