中國石化儀征化纖股份有限公司
Sinopec Yizheng Chemical Fibre Company Limited

(a joint stock limited company established in the People's Republic of China)
(Stock Exchange of Hong Kong Limited Stock Code: 1033)
(Shanghai Stock Exchange Stock Code: 600871)

INTERIM REPORT 2009

Contents

Important Notes: *The Board of Directors (“**the Board**”), and the Supervisory Committee of Sinopec Yizheng Chemical Fibre Company Limited and its directors, supervisors and senior management warranted that there are no false representations, misleading statements or material omissions in this interim report and individually and jointly accept full responsibility for the authenticity, accuracy and completeness of the information contained in this interim report. The interim financial report contained therein is unaudited.*

Mr. Qian Heng-ge, Chairman, Mr. Xiao Wei-zhen, General Manager, Mr. Li Jian-ping, Chief Financial Officer and Ms. Xu Xiu-yun, Supervisor of the Asset and Accounting Department of the Company warranted the authenticity and completeness of the interim financial report contained in the interim report.

The Board of Sinopec Yizheng Chemical Fibre Company Limited ("**the Company**") hereby presents the interim results of the Company and its subsidiary ("**the Group**") for the six months ended 30 June 2009. The interim financial report therein is unaudited.

1. COMPANY PROFILE

1.	Legal name	:	Sinopec Yizheng Chemical Fibre Company Limited 中國石化儀征化纖股份有限公司
	Abbreviation:		YCF 儀征化纖
2.	Legal representative	:	Mr. Qian Heng-ge
3.	Registered and office address	:	Yizheng City, Jiangsu Province the People's Republic of China ("**the PRC**")
	Postal code	:	211900
	Telephone	:	86-514-83232235
	Fax	:	86-514-83233880
	Internet website	:	http://www.ycfc.com
	E-mail address	:	cso@ycfc.com
4.	Company Secretary	:	Mr. Tom C.Y. Wu
	Assistant Company Secretary	:	Ms. Michelle M.Shi
	Contact address	:	Company Secretary Office Sinopec Yizheng Chemical Fibre Company Limited Yizheng City, Jiangsu Province, the PRC
	Telephone	:	86-514-83231888
	Fax	:	86-514-83235880
	E-mail address	:	cso@ycfc.com
5.	Newspapers disclosing information	:	China Securities, Shanghai Securities News, Securities Times
	Internet website designated by The Stock Exchange of Hong Kong Limited ("**HKSE**") to disclosure information	:	http://www.hkexnews.hk
	Internet website designated by the China Securities Regulatory Commission ("**CSRC**") to publish the interim report	:	http://www.sse.com.cn
	Place where the interim report available for inspection	:	Company Secretary Office Sinopec Yizheng Chemical Fibre Company Limited

6. Places of listing, names and codes of the stock:

H share	:	HKSE
Stock name	:	Yizheng Chemical
Stock code	:	1033
A share	:	Shanghai Stock Exchange ("**SSE**")
Stock name	:	S Yihua
Stock code	:	600871

2. FINANCIAL SUMMARY

1. Principal financial information and financial indicators of the Group

1.1 Extracted from the interim financial report prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting

(Consolidated and unaudited)

	For the six months ended 30 June	
	2009	2008
	Rmb'000	*Rmb'000*
Turnover	**6,135,575**	8,548,609
Profit/(loss) before taxation	**310,597**	(213,935)
Income tax expense	**655**	47,826
Profit/(loss) attributable to equity shareholders of the Company	**309,942**	(261,761)
Basic and diluted earnings/(loss) per share	**Rmb0.077**	Rmb(0.065)

1.2 Extracted from the interim financial report prepared in accordance with the PRC Accounting Standards for Business Enterprises (2006)

(Consolidated and unaudited)

	As at 30 June 2009 ***Rmb'000***	As at 31 December 2008 *Rmb'000*	Increase/ (decrease) from last year *(%)*
Total assets	**8,784,263**	8,417,284	4.4
Total equity attributable to equity shareholders of the Company	**6,971,370**	6,663,392	4.6
Net assets per share attributable to equity shareholders of the Company	**Rmb1.743**	Rmb1.666	4.6

1.2 Extracted from the interim financial report prepared in accordance with the PRC Accounting Standards for Business Enterprises (2006) *(continued)*
(Consolidated and unaudited)

	For the six months ended 30 June 2009 ***Rmb'000***	For the six months ended 30 June 2008 *Rmb'000*	Increase/ (decrease) from corresponding period of last year *(%)*
Operating profit/(loss)	**302,175**	(210,604)	Not applicable
Profit/(loss) before income tax	**307,978**	(216,586)	Not applicable
Net profit/(loss) attributable to equity shareholders of the Company	**307,978**	(263,749)	Not applicable
Net profit/(loss) deducted extraordinary gain and loss attributable to equity shareholders of the Company	**303,197**	(252,717)	Not applicable
Basic earnings/(loss) per share	**Rmb0.077**	Rmb(0.066)	Not applicable
Diluted earnings/(loss) per share	**Rmb0.077**	Rmb(0.066)	Not applicable
Basic earnings/(loss) per share net of extraordinary gain and loss	**Rmb0.076**	Rmb(0.063)	Not applicable
Return on net assets	**4.42%**	(3.28%)	Increased by 7.7 percentage points
Net cash inflow/(outflow) from operating activities	**817,739**	(186,787)	Not applicable
Net cash inflow/(outflow) from operating activities per share	**Rmb0.204**	Rmb(0.047)	Not applicable

1.3 Extraordinary gain and loss items and amount (figures are based on the interim financial report prepared in accordance with the PRC Accounting Standards for Business Enterprises (2006))
(Consolidated and unaudited)

Extraordinary gain and loss	**Amount** *(Rmb'000)*
Gains on disposal of fixed assets and intangible assets	8,890
Employee reduction expenses	(1,022)
Other non-operating income excluding gains on disposal of fixed assets and intangible assets	305
Non-operating expenses	(3,392)
Effect of income tax*	0
Total	4,781

* *As the Group made up the previous years' losses during the current period and therefore sufferred tax losses, and has not recognised deferred tax assets in respect of the current tax losses, the above extraordinary gain and loss items have no effect on taxation.*

1.4 Significant differences between the interim financial report of the Group prepared in accordance with the PRC Accounting Standards for Business Enterprises (2006) and International Financial Report Standards ("IFRSs")

(Consolidated and unaudited)

	Net profit/(loss) attributable to equity shareholders of the Company		Total equity attributable to equity shareholders of the Company	
	For the six months ended 30 June 2009	For the six months ended 30 June 2008	**As at 30 June 2009**	As at 1 January 2009
	Rmb'000	*Rmb'000*	***Rmb'000***	*Rmb'000*
PRC Accounting Standards for Business Enterprises (2006)	**307,978**	(263,749)	**6,971,370**	6,663,392
IFRSs	**309,942**	(261,761)	**6,836,474**	6,526,532

Explanations for difference: Please refer to the section on "Reconciliation Statement of Differences in the Financial Statements Prepared Under Different GAAPs" of this interim report.

2. Supplementary schedule for the income statement (figures are based on the interim financial report prepared in accordance with the PRC Accounting Standards for Business Enterprises (2006))

(Consolidated and unaudited)

	Return on net assets *(%)*		Earning per share *(Rmb)*	
Profit during the reporting period	**Fully diluted**	**Weighted average**	**Basic loss per share**	**Diluted loss per share**
Net profit attributable to equity shareholders of the Company	4.418	4.518	0.077	0.077
Net profit deducted extraordinary gain and loss attributable to equity shareholders of the Company	4.349	4.447	0.076	0.076

3. Statement of impairment of assets of the Group (extracted from the interim financial report prepared in accordance with the PRC Accounting Standards for Business Enterprises (2006))

(Consolidated and unaudited)

	At 1 January 2009 *Rmb'000*	Increase through acquisition for the period* *Rmb'000*	Increase for the period *Rmb'000*	Decrease for the period *Rmb'000*	**At 30 June 2009** ***Rmb'000***
1. Total provisions for bad and doubtful debts	3,819	0	1,307	420	**4,706**
Including: Accounts receivable	835	0	597	288	**1,144**
Prepayments	162	0	0	132	**30**
Other receivables	2,822	0	710	0	**3,532**
2. Total provision for diminution in value of inventories	56,243	0	19,892	38,393	**37,742**
Including: Raw materials	2,991	0	1,895	2,991	**1,895**
Finished goods	35,402	0	8,495	35,402	**8,495**
Work in progress	0	0	581	0	**581**
Spare parts and consumables	17,850	0	8,921	0	**26,771**
3. Total provision for impairment of fixed assets	449,430	132,335	4,390	67,530	**518,625**
Including: Plant and buildings	740	6,543	0	78	**7,205**
Machinery, equipment and others	448,690	125,792	4,390	67,452	**511,420**
Total	509,492	132,335	25,589	106,343	**561,073**

* *The Company acquired the other 50% equity interest in the jointly controlled entity during the current period. After the acquisition, the jointly controlled entity became a subsidiary of the Company and was included in the consolidated financial statements.*

Statement of impairment of assets of the Company

	At 1 January 2009 *Rmb'000*	Increase for the period *Rmb'000*	Decrease for the period *Rmb'000*	**At 30 June 2009** ***Rmb'000***
1. Total provisions for bad and doubtful debts	3,819	1,307	420	**4,706**
Including: Accounts receivable	835	597	288	**1,144**
Prepayments	162	0	132	**30**
Other receivables	2,822	710	0	**3,532**
2. Total provision for diminution in value of inventories	56,243	0	38,393	**17,850**
Including: Raw materials	2,991	0	2,991	**0**
Finished goods	35,402	0	35,402	**0**
Work in progress	0	0	0	**0**
Spare parts and consumables	17,850	0	0	**17,850**
3. Total provision for impairment of fixed assets	449,430	4,390	67,530	**386,290**
Including: Plant and buildings	740	0	78	**662**
Machinery, equipment and others	448,690	4,390	67,452	**385,628**
Total	509,492	5,697	106,343	**408,846**

4. Changes in interim financial report items (figures extracted from the financial report prepared in accordance with the PRC Accounting Standards for Business Enterprises (2006))

(Consolidated and unaudited)

Item	At 30 June 2009 Rmb'000	At 31 December 2008 Rmb'000	Change %	Reason for Change
Cash at bank and on hand	**1,654,620**	1,203,755	37.5	Increase in time deposits at the current period end
Bills receivable	**809,500**	1,290,568	(37.3)	Decrease in operating income during the current period
Inventories	**1,252,047**	831,453	50.6	Increase in raw materials due to rise in the price of materials at the current period end
Long-term equity investments	**0**	25,803	(100.0)	The Company acquired the other 50% equity interest in the jointly controlled entity. After the acquisition, the jointly controlled entity became a subsidiary of the Company and was included in the consolidated financial statements. There is no long-term equity investment at the current period end.
Bills payable	**320,000**	115,000	178.3	Increase in bills issued for purchasing raw materials at the current period end
Employee benefits payable	**118,186**	61,345	92.7	Increase in unpaid bonuses at the current period end
Taxes payable	**5,835**	17,979	(67.5)	Settlement of unpaid land use tax and property tax of last year during the current period
Deferred income	**19,762**	15,000	31.7	Increase in government grants during the current period
Surplus reserve	**0**	1,456,004	(100.0)	The Company used the surplus reserve to make good of the previous years' losses during the current period
Accumulated losses	**(135,794)**	(1,899,776)	(92.9)	The Company used the surplus reserve to make good of the previous years' losses and gained a net profit during the current period

4. Changes in interim financial report items (figures extracted from the financial report prepared in accordance with the PRC Accounting Standards for Business Enterprises (2006)) *(continued)*

(Consolidated and unaudited)

Item	For the six months ended 30 June 2009 Rmb'000	2008 Rmb'000	Change %	Reason for Change
Operating costs	**5,358,807**	8,305,392	(35.5)	Decrease in purchase prices of raw materials during the current period
Business taxes and surcharges	**16,404**	6,237	163.0	Increase in city maintenance and construction tax and education surcharge during the current period
Net financial income	**8,882**	21,772	(59.2)	Decrease in interest income from deposits and net exchange gains during the current period
Impairment loss	**25,457**	2,069	1,130.4	Provision for diminution in value of inventories during the current period
Investment loss	**0**	76,263	(100.0)	The Company acquired the other 50% equity interest in the jointly controlled entity. After the acquisition, the jointly controlled entity became a subsidiary of the Company and was included in the consolidated financial statements. There is no long-term equity investment at the current period end.
Non-operating income	**9,763**	2,171	349.7	Increase in gains on disposal of fixed assets during the current period
Non-operating expenses	**3,960**	8,153	(51.4)	Decrease in losses on disposal of fixed assets during the current period
Income tax expenses	**0**	47,163	(100.0)	The Company wrote off part of deferred tax assets arising from tax losses in prior years during the corresponding period of last year

3. CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF MAJOR SHAREHOLDERS

1. Changes in share capital

During the reporting period, there was no change in the total number of shares or the shareholding structure of the Company.

2. Shareholdings of major shareholders

(1) Number of shareholders

The number of shareholders of the Company as at 30 June 2009 is as follows:

Type	Number of shareholders
Legal person share (A share)	2
Social public share (A share)	44,354
"H" share	695
Total	45,051

(2) The shareholdings of the top ten shareholders and circulating shareholders of the Company

As at 30 June 2009, the shareholdings of the top ten shareholders and circulating shareholders of the Company are respectively as follows:

Number of shareholders at the end of the reporting period 45,051

Details of the top ten major shareholders

Names of shareholders	Nature of shareholders	Number of shares held at the end of the reporting period *(shares)*	Percentage to total share capital *(%)*	Number of non-circulating shares *(shares)*	Number of pledged or frozen share*
China Petroleum & Chemical Corporation ("**Sinopec**")	Domestic legal person shareholder	1,680,000,000	42.00	1,680,000,000	Nil
Hong Kong Securities Clearing Company ("**HKSCC**") (Nominees) Limited***	Overseas capital shareholder	1,380,211,005	34.51	Circulating shares	Nil
CITIC Group Corporation ("**CITIC**") **	Domestic legal person shareholder	720,000,000	18.00	720,000,000	Nil
China Minsheng Banking Corporation – Orient Well-chosen Mix-type Open-end Securities Investment Fund	Domestic circulating shares	4,019,847	0.10	Circulating shares	Not applicable
Guangzhou Yidian Engineering & equipment Install Corporation	Domestic circulating shares	2,000,000	0.05	Circulating shares	Not applicable
Cheung Kwong Kwan	Overseas capital shareholder	2,000,000	0.05	Circulating shares	Not applicable
Lu Bao-hong	Domestic circulating shares	1,330,000	0.033	Circulating shares	Not applicable
Lin You-ming	Domestic circulating shares	1,061,400	0.03	Circulating shares	Not applicable
Hing Shing Far East Development Ltd	Overseas capital shareholder	1,000,000	0.025	Circulating shares	Not applicable
Zhou Gao-feng	Domestic circulating shares	878,080	0.022	Circulating shares	Not applicable

(2) The shareholdings of the top ten shareholders and circulating shareholders of the Company *(continued)*

Details of the top ten circulating shareholders

Names of shareholders	Number of circulating shares held at the end of the reporting period *(shares)*	Classification
HKSCC (Nominees) Limited***	1,380,211,005	"H" shares
China Minsheng Banking Corporation – Orient Well-chosen Mix-type Open-end Securities Investment Fund	4,019,847	Circulating "A" shares
Guangzhou Yidian Engineering & equipment Install Corporation	2,000,000	Circulating "A" shares
Cheung Kwong Kwan	2,000,000	"H" shares
Lu Bao-hong	1,330,000	Circulating "A" shares
Lin You-ming	1,061,400	Circulating "A" shares
Hing Shing Far East Development Ltd	1,000,000	"H" shares
Zhou Gao-feng	878,080	Circulating "A" shares
Li Hai-ying	790,000	Circulating "A" shares
Wang Rong-an	697,639	Circulating "A" shares

Explanation of connected relationship or activities in concert among the above shareholders	The Company is not aware of that there is any connected relationship or activities in concert among the above shareholders.

Notes:

* *It represents the number of pledged or frozen shares held by shareholders who held more than 5 per cent of the Company's shares during the reporting period.*

** *Shares held on behalf of the State.*

*** *Shares held on behalf of different customers.*

(3) The interest or short position held by the substantial shareholders and other persons in the Company's shares or underlying shares

As at 30 June 2009, (according to the shareholders' register and related application documents received by the Company), so far as the Directors, Supervisors and Senior Management of the Company are aware, each of the following persons, not being a Director, Supervisor or Senior Management of the Company, had an interest in the Company's shares which is required to be disclosed to the Company and the HKSE under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("**SFO**"):

Names of shareholder	Number of share held *(shares)*	Percentage of shareholding in the Company's total issued share capital *(%)*	Percentage of shareholding in the Company's total issued domestic shares *(%)*	Percentage of shareholding in the Company's total issued H shares *(%)*	Short position *(shares)*
Sinopec*	1,680,000,000	42.00	64.62	Not applicable	–
CITIC	720,000,000	18.00	27.69	Not applicable	–

* *As at 30 June 2009, China Petrochemical Corporation ("**CPC**") holds 75.84% of the equity interest in Sinopec.*

Save as disclosed above and so far as the Directors, Supervisors and Senior Management of the Company are aware, as at 30 June 2009, no substantial shareholder (as such term is defined in the Rules Governing the Listing of Securities on the HKSE (the "**Listing Rules**")) of the Company or other person held any interest or short position in the Company's shares or underlying shares (as the case may be) which are required to be disclosed to the Company and the HKSE under the provisions of Divisions 2 and 3 Part XV of the SFO.

3. Purchase, sale or redemption of the Company's listed securities

During the reporting period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

4. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Changes in Directors, Supervisors and Senior Management

There was no change in Directors, Supervisors and Senior Management during the reporting period.

2. Directors', Supervisors' and Senior Management's interests in shares

According to the disclosure requirements under the Securities (Disclosure of Interests) Ordinance (the "**SDI Ordinance**") of Hong Kong, and under the relevant PRC laws and regulations concerning details of shares of the Company held by the Directors, Supervisors and Senior Management as at 30 June 2009 are as follows:

Name	Title	Number of "A" shares held at the beginning of the reporting period	Number of "A" shares held at the end of the reporting period	Stock Option of the Company held	Reason for change
Qian Heng-ge	Chairman	2,000	2,000	Nil	No Change
Sun Zhi-hong	Vice Chairwoman	0	0	Nil	No Change
Xiao Wei-zhen	Vice Chairman, General Manager	0	0	Nil	No Change
Long Xing-ping	Director	0	0	Nil	No Change
Zhang Hong	Director	0	0	Nil	No Change
Guan Diao-sheng	Director	0	0	Nil	No Change
Qin Wei-zhong	Director	0	0	Nil	No Change
Shen Xi-jun	Director, Deputy General Manager	0	0	Nil	No Change
Shi Zhen-hua	Independent Director	0	0	Nil	No Change
Qiao Xu	Independent Director	0	0	Nil	No Change
Yang Xiong-sheng	Independent Director	0	0	Nil	No Change
Chen Fang-zheng	Independent Director	0	0	Nil	No Change
Cao Yong	Chairman of the Supervisory Committee	0	0	Nil	No Change
Tao Chun-shen	Supervisor	0	0	Nil	No Change
Chen Jian	Supervisor	0	0	Nil	No Change
Shi Gang	Independent Supervisor	0	0	Nil	No Change
Wang Bing	Independent Supervisor	0	0	Nil	No Change
Li Jian-xin	Deputy General Manager	0	0	Nil	No Change
Zhang Zhong-an	Deputy General Manager	0	0	Nil	No Change
Li Jian-ping	Chief Financial Officer	0	0	Nil	No Change
Tom C. Y. Wu	Company Secretary	0	0	Nil	No Change

There was no change in the number of the Company's shares held by the Directors, Supervisors and Senior Management during the reporting period.

Other than as stated above, no Directors, Supervisors and Senior Management had any interests, whether beneficial or non-beneficial, in the issued share capital of the Company, and other associated corporations (within the meaning of the SDI Ordinance) during the reporting period.

3. Directors', Supervisors' and Senior Management's rights to acquire shares and debentures and short position

As at 30 June 2009, none of the Directors, Supervisors or Senior Management of the Company had any interest or short position in the shares, underlying shares and/or debentures (as the case may be) of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) of which the Company and the HKSE were required to be informed pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short position which any such Director, Supervisor or Senior Management has taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or of which the Company and the HKSE were required to be informed pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("**Model Code**") as contained in Appendix 10 to the Listing Rules.

At no time during the reporting period was the Company, any of its parent companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors, Supervisors or Senior Management of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

4. Independent Director and Audit Committee

As at 30 June 2009, the Company has four Independent Directors, one of whom are professionals in the accounting field and have experience in financial management. The Company revised "Performance System of Independent Directors", and further improving working system on annual report on 30 March, 2009.

The Audit Committee of the Board of the Company has been founded in accordance with requirements under the Listing Rules. The Company revised "Performance Rules of Audit Committee" on 30 March, 2009 and further improved duties and procedures on auditing committee for examining annual report.

5. BUSINESS REVIEW & PROSPECTS

Financial figures, where applicable, contained herein have been extracted from the Group's unaudited interim financial report prepared in accordance with IAS 34 Interim Financial Reporting.

Interim results

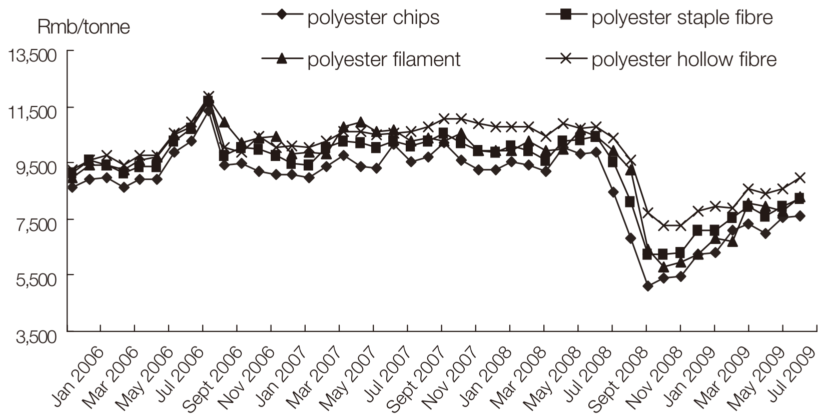
For the six months ended 30 June 2009, the Group's consolidated turnover amounted to Rmb 6,135,575,000, decreased by 28.2 per cent compared with Rmb 8,548,609,000 for the corresponding period of last year. The prices of polyester products have gradually trended toward stability and started to rise due to the cost drive of polyester raw materials and the profit margin of the Company's products has therefore been enhanced. The profit attributable to equity shareholders of the Company was Rmb 309,942,000 and basic earnings per share was Rmb 0.077 in the first half of 2009, while the loss attributable to equity shareholders of the Company was Rmb 261,761,000 and basic loss per share was Rmb 0.065 in the first half of 2008.

The Board resolved that no interim dividend would be paid for the year ending 31 December 2009 (interim dividend for 2008: Nil).

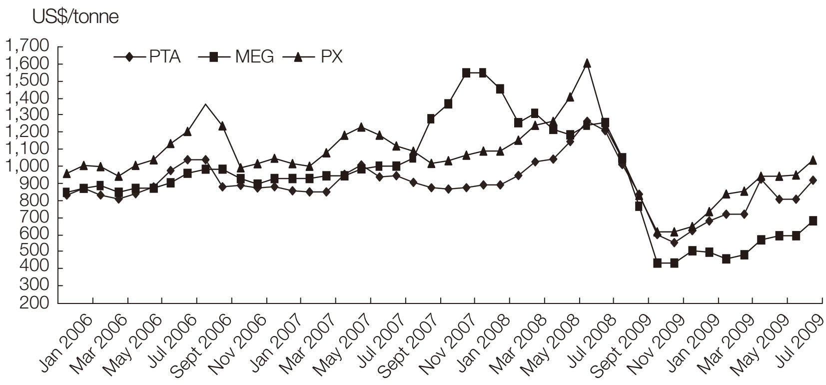
Market review

In the first half of 2009, with the slow increase in the prices of global crude oil and polyester raw materials, the prices of polyester products have gradually trended toward stability and started to rise, and the profit margin of the polyester products has been enhanced. At the same time, due to the impact of the financial crisis, downstream textiles, facing the pressure of decreasing demand both domestic and overseas markets, sharply reduced its demand for polyester products.

Product Prices Quoted by the Company (Excluding VAT)



Raw Material Contract Price Offered by International Suppliers



Market review *(continued)*

In the first half of 2009, domestic polyester production capacity increased slowly and the total domestic polyester capacity increased by almost 800,000 tonnes. As a result, the operational environment for polyester industry was still tough. Total domestic supply volume of polyester fibre was 11,444,100 tonnes, an increase of 7.6 per cent compared with the corresponding period of last year, of which, the domestic production volume increased by 4.1 per cent compared with the corresponding period of last year. Meanwhile, due to the impact of the financial crisis, the amount of PRC textile and clothes exports was 74.73 billion US dollars, 10.9 per cent lower than the first half of 2008. Total domestic consumption volume of polyester fibre was 10,278,100 tonnes, an increase of 4.8 per cent compared with the corresponding period of 2008. The domestic demand for polyester fibre has been distinctly slowing down.

Domestic supply and demand of polyester fibre

	Polyester filament			**Polyester staple fibre**			**Polyester fibre**		
	First half of 2009 *'000 tonnes*	First half of 2008 *'000 tonnes*	+/– *(%)*	**First half of 2009 *'000 tonnes***	First half of 2008 *'000 tonnes*	+/– *(%)*	**First half of 2009 *'000 tonnes***	First half of 2008 *'000 tonnes*	+/– *(%)*
Production volume	**6,561.0**	6,298.6	4.2	**3,687.7**	3,543.0	4.1	**10,248.7**	9,841.6	4.1
Import volume	**78.4**	96.0	(18.3)	**74.5**	75.0	(0.7)	**152.9**	171.0	(10.6)
Export volume	**294.2**	431.2	(31.8)	**172.8**	227.2	(23.9)	**467.0**	658.4	(29.1)
Net import	**(215.8)**	(335.2)	(35.6)	**(98.3)**	(152.2)	(35.4)	**(314.1)**	(487.4)	(35.6)
Inventories at the beginning of the period	**733.1**	378.4	93.7	**309.4**	243.0	27.3	**1,042.5**	621.4	67.8
Inventories at the end of the period	**416.0**	86.9	378.7	**283.0**	80.2	252.9	**699.0**	167.1	318.3
Total supply volume	**7,372.5**	6,773.0	8.9	**4,071.6**	3,861.0	5.5	**11,444.1**	10,634.0	7.6
Total consumption volume	**6,662.3**	6,254.9	6.5	**3,615.8**	3,553.6	1.8	**10,278.1**	9,808.5	4.8

Source: The Chemical Fibre Association of China

Result review

In the first half of 2009, by chasing the favor opportunity of trending toward stability and starting to rise in the prices of polyester products, the Group endeavoured to expand its markets, optimised its products structure to meet market demand, strengthened fine management and made efforts to reduce its costs and expenses. As a result, The Group successfully achieved a better profit in its operational results.

Production and marketing

In the first half of 2009, the Group's production facilities maintained safe and stable operations. The total production volume of polyester products was 1,129,200 tonnes, an increase of 3.5 per cent compared with 1,090,748 tonnes for the corresponding period of 2008. The capacity utilisation rate of polyester utilities reached 97.7 per cent. The total production volume of purified terephthalic acid ("**PTA**") was 517,205 tonnes, an increase of 1.9 per cent compared with 507,361 tonnes for the corresponding period of last year. In the first half of 2009, the Group maintained a balance between production and sales in order to sell at optimal prices, and enhanced the capacity of adapting market and meeting customers' demand. The Group's total sales volume of polyester products reached 857,511 tonnes, a decrease of 0.2 per cent compared with 859,289 tonnes in the corresponding period of 2008. The Group's export volume of polyester products was 48,049 tonnes, a decrease of 38.2 per cent compared with 77,752 tonnes for the corresponding period of 2008. Excluding the self-consumption volume and other factors, the ratio of sales to production reached 99.1 per cent.

New product development and technological innovation

In the first half of 2009, the Group further optimised its products structure to meet market demand and tried to increase the profit contributions from differential and specialized products. Altogether, the Group initiated six kinds of new polyester products, began development of six products, and launched nineteen products for market promotion. In the first half of 2009, the Group's total production volume of specialized polyester chips amounted to 468,050 tonnes and the specialized rate was 86.5 per cent, 6.4 percentage points higher than that of the corresponding period of 2008. The total production volume of differential polyester fibre amounted to 278,653 tonnes and the differential rate of polyester fibre was 81.7 per cent, 11.3 percentage points higher than that of the corresponding period of 2008.

Cost control

In the first half of 2009, the weighted average prices (excluding VAT) of the Group's polyester products decreased by 28.2 per cent compared with the corresponding period of last year, while the weighted average purchase prices of principal purchased raw materials of the Group, such as PTA, mono-ethylene glycol ("**MEG**") and parxylene ("**PX**"), decreased by 39.0 per cent compared with the corresponding period of 2008. The Group tried to decrease the consumption of raw materials and energy by strengthening fine management and implementing technical reform, resulting in the comprehensive energy consumption for main products decreasing by 5.1 per cent compared with the corresponding period of 2008. Measures for reducing cost and increasing efficiency were implemented together by strictly implementing overall budget control. In the first half of 2009, by exerting great efforts to improve the proportion of direct selling and to reduce intermediary sales expenses, the Group's selling expenses decreased by 0.1 per cent from those of the first half of 2008. Due to increase in unpaid bonuses and social insurance, the Group's administrative expenses increased by 33.3 per cent from those of the first half of 2008. Due to the decrease in interest income from deposits and net exchange gains, the net finance income decreased by 59.2 per cent from those of the first half of 2008. The total increase in selling expenses, administrative expenses and net finance income was 28.0 per cent from that of the first half of 2008.

Capital expenditure

In the first half of 2009, the Group's total capital expenditure was Rmb 57,616,000. To maximize investment contribution, the Group strengthened investment management in accordance with the prudence principle. The two projects such as the aramid fiber project with an annual capacity of 100 tonnes and the high performance polyethylene project with an annual capacity of 300 tonnes put into operation in early 2009 were smoothly advanced. The operation of the two projects has trended toward stability, and the quality of the two products has reached expected level and has being increased.

Business prospects

In the second half of 2009, the impact of the financial crisis will continue to persist and spread. The process of a revival of the global economy is not visible. The downstream textiles will also face the pressure of decreasing demand from abroad. As a result, the prospect for domestic polyester industry operation is full of uncertainties. On the other hand, the Chinese economy has trended toward stability and tended upwards by taking series of policies and measures to stimulate economic growth. The Group believes the domestic consumption for textile and clothes will be expanded, which will create opportunities to increase domestic demand for polyester products.

Business prospects *(continued)*

In the second half of 2009, faced with an uncertain operation environment, the Group will continue to strengthen fine management, reduce costs and expenses and optimize products structure so as to achieve better operating results. The following will be set as priorities in the second half of 2009:

I. Strengthen production management and meticulously maintain safe and stable operation of production facilities

To ensure safe and stable operation of production facilities, the Group will further strengthen spot management, meticulously organize production and try to reduce unexpected production cessation. Meanwhile, the Group will heighten the product quality by strengthening fine management. In the second half of 2009, the Group's projected production volume of polyester products is 1,150,000 tonnes, and the projected 2009 annual production volume of polyester products is 2,279,000 tonnes, 11.2 per cent higher than production volume in 2008. The Group's production volume of PTA for the second half of 2009 is projected at 500,000 tonnes. The projected 2009 annual production volume of PTA is 1,017,000 tonnes, 2.9 per cent more than production volume in 2008.

II. Pay close attention to market change and strengthen raw material purchase and marketing so as to control operational risks

The Group will pay close attention to market changes, and adjust purchase plan in a timely manner based on the situation of cost, profit and production so as to keep a constant balance of raw materials supply and reduce the purchase costs. Meanwhile, the Group will make greater efforts in selling products, specially differential and specialized products, to strive for greater profit. In the second half of 2009, the Group's projected sales volume of polyester products is 881,000 tonnes. The 2009 projected sales volume of polyester products is 1,739,000 tonnes, an increase of 4.6 per cent from that of 2008. The ratio of sales to production is expected to reach 100 per cent in the second half of 2009.

III. Improve product structure and profit contribution from differential products

The Group will further utilize the integrated strength of its product development team to develop new products and continually optimize product structure. Meanwhile, the Group will continue to advance the work of fixing production line, variety and customer so as to further improve the product quality and added value and improve the profit contribution from differential products. In the second half of 2009, the Group's projected production volume of specialized polyester chips and differential fibre products is 484,000 tonnes and 267,000 tonnes respectively. Specialized rates are expected to be 87.6 per cent and differential rates are expected to be 81.2 per cent.

IV. Strictly fine management and greatly reduce cost and expenses

The Group will continue to carry out the measures drafted at the beginning of 2009 for reducing costs and expenses. The Group will further implement overall budget management and strictly manage unplanned expenses to meet the expense control target. The Group will continually improve energy efficiency, and reduce emission of pollutants, and consumption of raw materials and energy. The Group will speed up the construction of energy saving projects, such as natural gas replacing heavy oil project, air-separating facilities and the second phase of its marsh gas power generation project and generate profits as soon as possible.

V. Concentrate the operation of new projects and promote the adjustment of industrial structure

The Group will further optimize production technology and expand the market for the two new projects such as the aramid fiber project and the high performance polyethylene project. The 1,000 ton-grade projects on the above two products will be initiated as soon as possible. Meanwhile, the Group will organize all resources to plan new projects. If conditions are mature, new projects will be put into construction in order to enhance the Company's profitability in the future.

6. MANAGEMENT DISCUSSION & ANALYSIS

The following financial figures, except where specifically noted, are extracted from the Group's unaudited interim financial report prepared in accordance with IAS 34 "Interim Financial Reporting". These data should be read in conjunction with the unaudited interim financial report and notes therein.

1. Results of Operations

In the first half of 2009, the prices of polyester products have gradually trended toward stability and started to rise and the profit margin of the Company's products has therefore been enhanced. As a result, the profit attributable to equity shareholder of the Company was Rmb 309,942,000, while the loss attributable to equity shareholder of the Company was Rmb 261,761,000 in the first half of 2008.

(1) Turnover

In the first half of 2009, the Group's production facilities maintained safe and stable operations. Production volume of polyester products and PTA increased compared with the corresponding period of 2008. The Group's total production volume of polyester products was 1,129,200 tonnes, an increase of 3.5 per cent compared to 1,090,748 tonnes for the corresponding period of 2008. The Group's capacity utilization rate reached 97.7 per cent. The Group's total production volume of PTA was 517,205 tonnes, an increase of 1.9 per cent compared with 507,361 tonnes for the corresponding period of 2008.

Production volume

	For the six months ended 30 June			
	2009		2008	
	Production volume *(tonnes)*	**Percentage of total production volume *(%)***	Production volume *(tonnes)*	Percentage of total production volume *(%)*
Polyester products				
Chips	**755,974**	**66.9**	744,565	68.3
Including: bottle-grade chips	**214,600**	**19.0**	210,828	19.3
Staple fibre	**229,330**	**20.3**	230,956	21.2
Hollow fibre	**24,746**	**2.2**	24,146	2.2
Filament	**119,150**	**10.6**	91,081	8.3
Total	**1,129,200**	**100.0**	1,090,748	100.0

In the first half of 2009, the Group's total sales volume of polyester products amounted to 857,511 tonnes, a decrease of 0.2 per cent compared with 859,289 tonnes for the corresponding period of 2008. Excluding the self-consumption volume and other factors, the ratio of sales to production reached 99.1 per cent. The Group's export volume of polyester products was 48,049 tonnes, a decrease of 38.2 per cent compared to 77,752 tonnes for the corresponding period of 2008. The weighted average prices (excluding VAT) of the Group's polyester products decreased from Rmb 9,709/tonne for the corresponding period of 2008 to Rmb 6,975/tonne for the first half of 2009, a 28.2 per cent decrease. Because the decrease in prices of polyester products was less than that of polyester raw material, the profit margin of polyester products was improved.

(1) Turnover *(continued)*

Sales volume

	For the six months ended 30 June			
	2009		2008	
	Sales volume (tonnes)	**Percentage of total sales volume (%)**	Sales volume (tonnes)	Percentage of total sales volume (%)
Polyester products				
Chips	**516,053**	**60.2**	519,558	60.5
Including: bottle-grade chips	**213,189**	**24.9**	207,686	24.2
Staple fibre	**229,343**	**26.8**	225,260	26.2
Hollow fibre	**23,497**	**2.7**	23,456	2.7
Filament	**88,618**	**10.3**	91,015	10.6
Total	**857,511**	**100.0**	859,289	100.0

Average Prices for Products *(Rmb/tonne, excluding VAT)*

	For the six months ended 30 June		
	2009	2008	Change (%)
Polyester products			
Chips	**6,577**	9,498	(30.8)
Staple fibre	**7,274**	9,896	(26.5)
Hollow fibre	**8,205**	10,947	(25.0)
Filament	**8,194**	10,127	(19.1)
Weighted average price	**6,975**	9,709	(28.2)

Turnover

	For the six months ended 30 June			
	2009		2008	
	Turnover Rmb'000	**Percentage of turnover (%)**	Turnover Rmb'000	Percentage of turnover (%)
Polyester products				
Chips	**3,393,898**	**55.3**	4,935,003	57.7
Staple fibre	**1,668,258**	**27.2**	2,229,190	26.1
Hollow fibre	**192,787**	**3.2**	256,781	3.0
Filament	**726,178**	**11.8**	921,685	10.8
Others	**154,454**	**2.5**	205,950	2.4
Total	**6,135,575**	**100.0**	8,548,609	100.0

(1) Turnover *(continued)*

In the first half of 2009, due to the decrease in sales volume and the weighted average price of polyester products by 0.2 per cent and 28.2 per cent respectively compared with the corresponding period of 2008, the Group's turnover amounted to Rmb 6,135,575,000, a decrease of 28.2 per cent compared with Rmb 8,548,609,000 for the corresponding period of 2008.

(2) Cost of sales

In the first half of 2009, the Group's cost of sales was Rmb 5,520,524,000, a decrease of Rmb 2,920,867,000 compared with Rmb 8,441,391,000 for the corresponding period of 2008, representing 90.0 per cent of turnover. The decrease in cost of sales was mainly due to substantial decrease in the costs of raw materials. Total costs of raw materials decreased by 38.6 per cent, from Rmb 7,888,713,000 to Rmb 4,839,830,000, compared with the corresponding period of 2008, accounting for 87.7 per cent of the cost of sales. The decrease was mainly due to the significant decrease in the purchase costs of raw materials. In the first half of 2009, the weighted average price of external purchased polyester raw materials decreased by 39.0 per cent compared with the corresponding period of 2008. Of this decrease, the average purchase costs of PX, PTA and MEG decreased by 32.8 per cent, 24.6 per cent and 56.5 per cent respectively compared with the corresponding period of 2008.

In the first half of 2009, turnover decreased by 28.2 per cent compared with the corresponding period of 2008, while cost of sales decreased by 34.6 per cent compared with the corresponding period of last year. As a result, the Group's gross profit increased by Rmb 507,833,000 to Rmb 615,051,000 compared with the corresponding period of 2008. The Group's gross margin was 10.0 per cent, an increase of 8.7 percentage points compared with the corresponding period of 2008.

(3) Selling expenses, administrative expenses and net financial income

	For the six months ended 30 June		
	2009	2008	Change
	Rmb'000	*Rmb'000*	*(%)*
Selling expenses	**98,185**	98,261	(0.1)
Administrative expenses	**216,564**	162,450	33.3
Net finance income	**(8,882)**	(21,772)	(59.2)
Total	**305,867**	238,939	28.0

In the first half of 2009, by exerting great efforts to improve the proportion of direct selling and to reduce intermediary sales expenses, the Group's selling expenses decreased by 0.1 per cent from those of the first half of 2008. Due to increase in unpaid bonuses and social insurance, the Group's administrative expenses increased by 33.3 per cent from those of the first half of 2008. Due to the decrease in interest income from deposits and net exchange gains, the net finance income decreased by 59.2 per cent from those of the first half of 2008. The total increase in selling expenses, administrative expenses and net finance income was 28.0 per cent from that of the first half of 2008.

(4) Operating profit, profit before taxation and profit attributable to equity shareholders of the Company

	For the six months ended 30 June		
	2009	2008	Change
	Rmb'000	*Rmb'000*	*(%)*
Operating profit/(loss)	**301,715**	(159,444)	Not applicable
Profit/(loss) before taxation	**310,597**	(213,935)	Not applicable
Income tax expense	**655**	47,826	(98.6)
Profit/(loss) attributable to equity shareholders of the Company	**309,942**	(261,761)	Not applicable
Basic earnings/(loss) per share (in Rmb)	**0.077**	(0.065)	Not applicable

In the first half of 2009, by chasing the favor opportunity of trending toward stability and starting to rise in the prices of polyester products, the Group endeavoured to expand its markets, optimised its products structure to meet market demand, strengthened fine management and made efforts to reduce its costs and expenses. As a result, the Group's profit before taxation and profit attributable to equity shareholders of the Company was Rmb 310,597,000 and Rmb 309,942,000 respectively, while the Group's loss before taxation and loss attributable to equity shareholders of the Company for the first half of 2008 was Rmb 213,935,000 and Rmb 261,761,000 respectively.

(5) Statement of the operations by products

Polyester products contributed more than 10 per cent of the Group's income from operations and operating profit. The following is the statement of operations by products for the six months ended 30 June 2009 in accordance with the PRC Accounting Standards for Business Enterprises (2006).

Products	Operating income	Cost of sales	Gross profit margin	Decrease in operating income as compared with the corresponding period of last year	Decrease in cost of sales as compared with the corresponding period of last year	Gross profit margin as compared with the corresponding period of last year
	Rmb'000	*Rmb'000*	*(%)*	*(%)*	*(%)*	
Polyester products	5,981,121	5,210,058	12.9	(28.3)	(35.5)	Increased by 9.7 Percentage points
Including: Chips	3,393,898	2,964,227	12.7	(31.2)	(37.6)	Increased by 8.8 percentage points
Staple and hollow fibre	1,861,045	1,563,301	16.0	(25.1)	(34.3)	Increased by 11.7 percentage points
Filament	726,178	682,530	6.0	(21.2)	(28.4)	Increased by 9.4 percentage points

During the reporting period, the Company did not sell any products or provide any services to its controlling shareholder and their subsidiaries.

(6) Reasons for the significant changes in the gross margin compared to that of 2008 in accordance with the PRC Accounting Standards for Business Enterprises (2006)

In the first half of 2009, the Group's gross margin from principal operations increased to 12.7 per cent, by 13.2 percentage points compared with 2008. The increase was mainly because the weighted average price of polyester products decreased by 21.8 per cent compared with 2008, while the weighted average price of external purchased polyester raw materials decreased by 33.9 per cent compared with 2008.

2. Financial Analysis

The Group's primary sources of funds come from operating activities, and the funds are primarily used for working capital and capital expenditures.

(1) Assets, liabilities and shareholders' equity analysis

	At 30 June 2009 ***Rmb'000***	At 31 December 2008 *Rmb'000*	Changes *Rmb'000*
Total assets	**8,649,367**	8,280,424	368,943
Current assets	**4,165,585**	3,842,986	322,599
Non-current assets	**4,483,782**	4,437,438	46,344
Total liabilities	**1,812,893**	1,753,892	59,001
Current liabilities	**1,793,131**	1,738,892	54,239
Non-Current liabilities	**19,762**	15,000	4,762
Total equity attributable to equity shareholders of the Company	**6,836,474**	6,526,532	309,942

As at 30 June 2009, the Group's total assets were Rmb 8,649,367,000, total liabilities were Rmb 1,812,893,000, and total equity attributable to equity shareholders of the Company was Rmb 6,836,474,000. Compared with the assets and liabilities as at 31 December 2008 (hereinafter referred to as "**compared with the end of last year**"), the variations and main causes of such changes are described as follows:

Total assets were Rmb 8,649,367,000, an increase of Rmb 368,943,000 compared with the end of last year. Current assets were Rmb 4,165,585,000, an increase of Rmb 322,599,000 compared with the end of last year. The increase was mainly due to the increase in the Group's deposits with banks and other financial institutions by Rmb 620,539,000, and the increase in inventories by Rmb 420,594,000 owing to the rise in prices of products and raw materials in the first half of 2009. Meanwhile, trade and other receivables decreased by Rmb 548,860,000 owing to the decrease in export credit sales during the current period. Non-current assets were Rmb 4,483,782,000, an increase of Rmb 46,344,000 compared with the end of last year, mainly due to the increase in new construction projects.

Total liabilities were Rmb 1,812,893,000, an increase of Rmb 59,001,000 compared with the end of last year. Current liabilities were Rmb 1,793,131,000, an increase of Rmb 54,239,000 compared with the end of last year, mainly due to the increase of Rmb 54,239,000 in trade and other payables owing to the increase in bills issued for purchasing raw materials as a result of the rise in purchasing prices of raw materials during the current period. Non-current liabilities were Rmb 19,762,000, an increase of Rmb 4,762,000 compared with the end of last year, mainly due to the increase of Rmb 5,000,000 in receipts of government grants in the first half of 2009.

(1) Assets, liabilities and shareholders' equity analysis *(continued)*

Total equity attributable to equity shareholders of the Company was Rmb 6,836,474,000, an increase of Rmb 309,942,000 compared with the end of last year, mainly due to the profit attributable to equity shareholders of the Group amounting to Rmb 309,942,000 in the first half of 2009.

As at 30 June 2009, total liabilities to total assets ratio was 21.0 per cent, whereas 21.2 per cent as at 31 December 2008.

(2) Cash flow analysis

In the first half of 2009, cash and cash equivalents decreased by Rmb 169,674,000 (decreased from Rmb 841,294,000 as at 31 December 2008 to Rmb 671,620,000 as at 30 June 2009). The following table lists major items in the consolidated cash flow statement of the Group for the first half of 2009 and 2008.

Major items in cash flow statement	**For the six months ended 30 June**		
	2009	2008	Changes
	Rmb'000	*Rmb'000*	*Rmb'000*
Net cash generated from/ (used in) operating activities	**814,291**	(188,506)	1,002,797
Net cash (used in)/generated from investing activities	**(983,631)**	172,077	(1,155,708)
Net cash used in financing activities	**(334)**	–	(334)
Net decrease in cash and cash equivalents	**(169,674)**	(16,429)	(153,245)
Cash and cash equivalents at the beginning of the period	**841,294**	459,747	381,547
Cash and cash equivalents at the end of the period	**671,620**	443,318	228,302

In the first half of 2009, the Group's net cash inflow from operating activities was Rmb 814,291,000, representing an increase of cash inflow by Rmb 1,002,797,000 compared with the corresponding period of 2008. This was mainly due to the increase in gross profit by Rmb 507,833,000 compared with the corresponding period of 2008 and the decrease in trade and other receivables by Rmb 548,860,000 compared with the end of last year.

In the first half of 2009, the Group's net cash outflow from investing activities was Rmb 983,631,000, an increase of cash outflow by Rmb 1,155,708,000 compared with the corresponding period of 2008. This was mainly due to an increase of Rmb 620,539,000 in the deposits with banks and other financial institutions in the first half of 2009, while there had been a decrease of Rmb 265,000,000 in the first half of 2008. As a result, the net cash outflow from investing activities increased by Rmb 885,539,000.

In the first half of 2009, the Group's net cash outflow from financing activities was Rmb 334,000, an increase of cash outflow by Rmb 334,000 compared with the corresponding period of 2008. It mainly due to Rmb 334,000 of cash repayments of borrowings in the first half of 2009.

(3) Bank borrowings

As at 30 June 2009, the Group's bank loans were nil (as at 31 December 2008: nil).

(4) Debt-equity ratio

The debt-equity ratio of the Group was nil for the first half of 2009 (first half of 2008: nil). The ratio is computed by dividing long-term borrowings by the sum of long-term borrowings and shareholders' equity.

(5) Assets charges

As at 30 June 2009, there was not any charge in the Group's assets.

(6) Management of foreign exchange risk

The Group's operations are mainly dominated in Renminbi and foreign currency needed was mainly dominated in US dollars. Receivables and payable items of the Group are settled immediately under current items. Therefore, there is no material adverse effect on the Group as a result of the fluctuations in foreign exchange rates.

3. Capital Expenditure

In the first half of 2009, the Group's capital expenditure amounted to Rmb 57,616,000. The amount was mainly invested in the construction of energy saving projects, such as air-separating facilities and the second phase of its marsh gas power generation project and the operational improvement of the two major projects, such as the aramid fiber project with an annual capacity of 100 tonnes and the high performance polyethylene project with an annual capacity of 300 tonnes, and some technical improvements so as to increase profit for the existing assets.

The Group's capital expenditure for the second half of 2009 is projected to be approximately Rmb 228,370,000. In the second half of 2009, in order to maximize return on investment, the Group will arrange the schedule of capital expenditure in accordance with the prudential principle. The planned capital expenditures will be funded by cash generated from operations and bank credit facilities.

7. SIGNIFICANT EVENTS

1. Since the issuing and listing of A share and H share on domestic and foreign markets, the Company committed itself to improving the level of corporate governance. In light of the new regulatory requirements in both local and overseas markets, the Company set up a relative consummate governance structure and mechanism based on the mutual restriction and balance among the Shareholders' Convention, the board, the Supervisory Committee and the management layers. It meets the requirements of pertinent laws and rules of regulatory institutes.

   The Company actively advanced the work of rectifying corporate governance. During the reporting period, the Company actively communicated with CSRC and completed the revision of the Company's Articles of Association based on referring to other overseas listed companies according to the Company Law and Guide to Company Article of Listed Companies (2006). The revision was approved in the fourth meeting of the sixth term of the Board, and was proposed at the Annual General Meeting for 2008. The relative permission is being applied at present.

2. The Company had set up management and functional departments of the internal control system in March 2003 to lead and develop this special work. 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 half-yearly checkup and evaluation of the deployment and therewith revised it. In light of the new regulatory requirements both locally and overseas, the system was examined, revised and approved by the third meeting of the sixth term of the Board held on 30 March 2009.

   The Self-evaluation Report on Internal Control System was considered and approved by the third meeting of the sixth term and was disclosed on the website of SSE and HKSE.

3. According to 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 30 November 2007. 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 15 January 2008.

   At present, the non-circulating shareholders are actively doing research in share reform and have not brought forward new proposal of share reform.

4. As approved by 2008 AGM held on 5 June 2009, the Company did not pay a final cash dividend for the year ended 31 December 2008, according to the Company Law and the Articles of Association of the Company.

   In accordance with the Articles of Association of the Company, the Board resolved that no interim dividend be paid for the year ending 31 December 2009.

5. During the reporting period, the Group was not involved in any material litigation or arbitration.

6. On 18 February 2009, the Company entered into a conditional Equity Transfer Agreement with UNIFI Asia Holding SRL ("**UNIFI Asia**") to acquire UNIFI Asia's 50% equity interest in Yihua UNIFI Fibre Industry Company Limited ("**Yihua UNIFI**") for a consideration of US$9 million (RMB equivalent: 61,525,000), subject to Chinese regulatory approval and certain customary closing conditions. The regulatory approval and customary closing conditions were completed on 2 March 2009. Following the acquisition, Yihua UNIFI (currently Yihua Jingwei Fibre Industry Company Limited) became a wholly-owned subsidiary of the Company. Yihua UNIFI is an equity joint venture company incorporated in Yizheng City, Jiangsu Province, the PRC, on 28 July 2005 and is owned as to 50% by each of the Company and UNIFI Asia. Yihua UNIFI is principally engaged in the production and processing of differential polyester filament and related products, research and development of polyester and textile products, and after sales services for its products. The total registered capital of Yihua UNIFI is US$60,000,000.

   The related announcement was disclosed in China Securities, Shanghai Securities News, Securities Times and the website of HKSE on 19 February 2009.

During the reporting period, the Group had no other acquisition or disposals of assets, nor any merger and acquisitions activities other than mentioned above.

Counterparty or actual controller	Assets acquired	Date of acquisition	Acquisition price	Net loss contributed to the Group since the date of the acquisition to the end of the reporting period	Whether constitute connected transaction	Whether ownership of the relevant assets has been fully transferred	Whether contractual rights and obligations have been fully transferred
UNIFI Asia	Yihua UNIFI's 50% equity interest	2 March 2009	US$9 million	Rmb 40,748,000	No	Yes	Yes

7. Information on connected transactions

At the 2008 AGM held on 5 June 2009, independent shareholders discussed and approved the resolution of 2009 ordinary connected transactions in terms of the existing connected transaction agreement.

The Group's material connected transactions entered into during the period ended 30 June 2009 were as follows:

(a) The following is 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 subsidiaries	2,923,530	60.2%

The Group believes that the above-mentioned connected transactions and related connected parties were necessary and continuous, and that the agreements governing these transactions met with the requirements of business operations and the market situation. The Group also believes that purchasing goods from the above related parties ensures a steady and secured supply of raw materials. These connected transactions are therefore beneficial to the Group. These transactions were mainly negotiated at market prices. The above transactions have no adverse effect on the profit of the Group and independence of the Company.

(b) During the reporting period, there were no significant connected transactions related to the transfer of assets or equity in the Group.

The Board believed that the above transactions were entered into in 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 fully complied with the related regulations issued by HKSE and the SSE.

For details of connected transactions during the reporting period, please refer to note 40 of the interim financial report prepared in accordance with PRC Accounting Standards for Business Enterprises (2006).

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

9. During the reporting period, the Company did not have any assets rented by, contracted out or held on trust for other companies. Furthermore, the Company did not rent or contract any assets from other companies and did not have assets held by other companies.

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

11. As at 30 June 2009, 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.

12. During the reporting period, the Company did not hold any shares of other listed companies or shares in financial enterprises such as commercial banks, securities companies, insurance companies, trust companies or futures companies. Neither did it hold shares in companies planning to list.

13. Constructions of the aramid fiber project with an annual capacity of 100 tonnes, the high performance polyethylene project with an annual capacity of 300 tonnes and improvements project of stove desulphrization of thermoelectricity center were approved for investment in the 25th meeting of the Board of the fifth term held on 7 April 2008. The estimated investment of the high performance polyethylene project amounted to Rmb 101,650,000 and has been completed and put into operation in early 2009. The estimated investment of the aramid fiber project amounted to Rmb 62,510,000 and has been completed and put into operation in February 2009. The estimated investment of improvements project of stove desulphrization of thermoelectricity center amounted to Rmb 96,040,000 and is expected to be completed and put into operation in 2009.

14. The Company and its shareholders who hold more than five per cent of the Company's shares did not have any undertakings which required disclosures.

15. Save as those disclosed above, during the reporting period, 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".

8. INTERIM FINANCIAL REPORT (Unaudited)

(A) Interim financial report prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting"

KPMG

Review report to the board of directors of
Sinopec Yizheng Chemical Fibre Company Limited
(Established in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 29 to 48 which comprises the consolidated balance sheet of Sinopec Yizheng Chemical Fibre Company Limited as at 30 June 2009 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, Interim financial reporting, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting.*

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

24 August 2009

Consolidated income statement

for the six months ended 30 June 2009 – unaudited

		Six months ended 30 June	
		2009	2008
	Note	***RMB'000***	*RMB'000*
Turnover	*5*	**6,135,575**	8,548,609
Cost of sales		**(5,520,524)**	(8,441,391)
Gross profit		**615,051**	107,218
Other income		**9,195**	923
Distribution costs		**(98,185)**	(98,261)
Administrative expenses		**(216,564)**	(162,450)
Other expenses		**(7,782)**	(6,874)
Profit/(loss) from operations		**301,715**	(159,444)
Finance income	*6(a)*	**13,046**	24,318
Finance expenses	*6(a)*	**(4,164)**	(2,546)
Net finance income	*6(a)*	**8,882**	21,772
Share of loss of a jointly controlled entity		**–**	(76,263)
Profit/(loss) before taxation	*6*	**310,597**	(213,935)
Income tax	*7*	**(655)**	(47,826)
Profit/(loss) for the period		**309,942**	(261,761)
Profit/(loss) attributable to equity shareholders		**309,942**	(261,761)
Basic and diluted earnings/(loss) per share (in RMB)	*9*	**0.077**	(0.065)

The notes on pages 35 to 48 form part of this interim financial report.

Consolidated statement of comprehensive income
for the six months ended 30 June 2009 – unaudited

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Profit/(loss) for the period	**309,942**	(261,761)
Other comprehensive income for the period	**–**	–
Total comprehensive income/(expenses) for the period	**309,942**	(261,761)
Total comprehensive income/(expenses) attributable to equity shareholders	**309,942**	(261,761)

The notes on pages 35 to 48 form part of this interim financial report.

Consolidated Balance Sheet

as at 30 June 2009 – unaudited

	Note	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Non-current assets			
Property, plant and equipment	10	**4,086,219**	3,970,816
Construction in progress		**231,032**	272,012
Lease prepayments		**121,566**	123,187
Interest in jointly controlled entity	4	**–**	25,803
Deferred tax assets		**44,965**	45,620
		4,483,782	4,437,438
Current assets			
Inventories		**1,252,047**	831,453
Trade and other receivables	11	**1,258,918**	1,807,778
Deposits with banks and other financial institutions	12	**983,000**	362,461
Cash and cash equivalents	13	**671,620**	841,294
		4,165,585	3,842,986
Current liabilities			
Trade and other payables	14	**1,787,933**	1,733,694
Provisions		**5,198**	5,198
		1,793,131	1,738,892
Net current assets		**2,372,454**	2,104,094
Total assets less current liabilities		**6,856,236**	6,541,532
Non-current liabilities			
Deferred income		**19,762**	15,000
Net assets		**6,836,474**	6,526,532

The notes on pages 35 to 48 form part of this interim financial report.

Consolidated Balance Sheet

as at 30 June 2009 – unaudited (continued)

	Note	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Equity			
Share capital		**4,000,000**	4,000,000
Share premium		**2,518,833**	2,518,833
Reserves	*15*	**(176,076)**	1,279,928
Retained profits/(accumulated losses)		**493,717**	(1,272,229)
Total equity		**6,836,474**	6,526,532

Approved and authorised for issue by the Board of Directors on 24 August 2009.

Qian Heng-ge
Director

Xiao Wei-zhen
Director

The notes on pages 35 to 48 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2009 – unaudited

	Share capital RMB'000	Share premium RMB'000	Reserves RMB'000	Retained profits/ (accumulated losses) RMB'000	Total RMB'000
Balance at 1 January 2008	4,000,000	2,518,833	1,279,928	369,088	8,167,849
Changes in equity for the six months ended 30 June 2008:					
Total comprehensive expenses for the period	–	–	–	(261,761)	(261,761)
Balance at 30 June 2008 and 1 July 2008	4,000,000	2,518,833	1,279,928	107,327	7,906,088
Changes in equity for the six months ended 31 December 2008:					
Total comprehensive expenses for the period	–	–	–	(1,379,556)	(1,379,556)
Balance at 31 December 2008 and 1 January 2009	4,000,000	2,518,833	1,279,928	(1,272,229)	6,526,532
Changes in equity for the six months ended 30 June 2009:					
Make good of losses by surplus reserve *(note 15)*	–	–	(1,456,004)	1,456,004	–
Total comprehensive income for the period	–	–	–	309,942	309,942
Balance at 30 June 2009	4,000,000	2,518,833	(176,076)	493,717	6,836,474

The notes on pages 35 to 48 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2009 – unaudited

	Note	Six months ended 30 June 2009 RMB'000	2008 RMB'000
Cash generated from/(used in) operations		**814,291**	(188,497)
Income tax paid		**–**	(9)
Net cash generated from/(used in) operating activities		**814,291**	(188,506)
Net cash (used in)/generated from investing activities		**(983,631)**	172,077
Net cash used in financing activities		**(334)**	–
Net decrease in cash and cash equivalents		**(169,674)**	(16,429)
Cash and cash equivalents at 1 January	*13*	**841,294**	459,747
Cash and cash equivalents at 30 June	*13*	**671,620**	443,318

The notes on pages 35 to 48 form part of this interim financial report.

Notes on the unaudited interim financial report

1. Principal activities and basis of preparation

Sinopec Yizheng Chemical Fibre Company Limited ("**the Company**") and its subsidiary ("**the Group**") are principally engaged in the production and sale of chemical fibre and chemical fibre raw materials in the People's Republic of China ("**the PRC**"). China Petroleum & Chemical Corporation ("**Sinopec Corp**") is the Company's immediate parent company and China Petrochemical Corporation ("**CPC**") is the Company's ultimate parent company.

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("**IAS**") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("**IASB**"). This interim financial report was authorised for issuance on 24 August 2009.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2008 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2009 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2008 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagement 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. KPMG's independent review report to the Board of Directors is included on page 28.

The financial information relating to the financial year ended 31 December 2008 that is included in the interim financial report as being previously reported information does not constitute the Company's annual financial statements for that financial year but is derived from those financial statements. Annual financial statements for the year ended 31 December 2008 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 30 March 2009. The 2008 annual financial statements have been prepared in accordance with IFRSs.

2. Changes in accounting policies

The IASB has issued one new IFRS, a number of amendments to IFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 8, *Operating segments*
- IAS 1 (revised 2007), *Presentation of financial statements*
- Improvements to IFRSs (2008)

The impact of these developments on the interim financial report is as follows:

- IFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. The adoption of IFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management, and has resulted in additional reportable segments being identified and presented (see note 3). As this is the first period in which the Group has presented segment information in accordance with IFRS 8, additional explanation has been included in the interim financial report which explains the basis of preparation of the information. Corresponding amounts have also been provided on a basis consistent with the revised segment information.

- As a result of the adoption of IAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. The new format for the consolidated statement of comprehensive income and the consolidated statement of changes in equity has been adopted in this interim financial report and corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

- The "Improvements to IFRSs (2008)" comprise a number of minor and non-urgent amendments to a range of IFRSs which the IASB has issued as an omnibus batch of amendments. The amendments had no material impact on the Group's interim financial report.

3. Segment reporting

The Group manages its businesses by divisions, which are organised by business lines (products and services). On first-time adoption of IFRS 8, *Operating segments*, and in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified five reportable segments which manufacture and sell polyester chips, bottle-grade polyester chips, staple fibre and hollow fibre, filament and purified terephthalic acid ("PTA"). All segments are primarily engaged in the PRC.

(a) Segment results and assets

In accordance with IFRS 8, segment information disclosed in the interim financial report has been prepared in a manner consistent with the information used by the Group's most senior executive management for the purposes of assessing segment performance and allocating resources among segments. In this regard, the Group's senior executive management monitors the results and assets attributable to each reportable segment on the following basis:

Segment assets represent property, plant and equipment and inventories.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. However, other than reporting inter-segment sales, assistance provided by one segment to another, including sharing of assets, is not measured.

The measure used for reporting segment profit is "gross profit".

3. Segment reporting *(continued)*

(a) Segment results and assets (continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below:

	Polyester chips		Bottle-grade polyester chips		Staple fibre and hollow fibre		Filament		PTA		All others #		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
For the six months ended 30 June														
Revenue from external customers	**1,975,206**	2,909,935	**1,418,692**	2,025,068	**1,861,045**	2,485,971	**726,178**	921,684	**-**	23,870	**154,454**	182,081	**6,135,575**	8,548,609
Inter-segment revenue	**59,884**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**59,884**	-
Reportable segment revenue	**2,035,090**	2,909,935	**1,418,692**	2,025,068	**1,861,045**	2,485,971	**726,178**	921,684	**-**	23,870	**154,454**	182,081	**6,195,459**	8,548,609
Gross profit/(loss) from external customers	**193,931**	63,404	**103,097**	46,915	**256,369**	68,396	**56,589**	(47,278)	**-**	385	**5,065**	(24,604)	**615,051**	107,218
Inter-segment profit	**7,785**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**7,785**	-
Reportable segment profit/(loss) (Gross profit/(loss))	**201,716**	63,404	**103,097**	46,915	**256,369**	68,396	**56,589**	(47,278)	**-**	385	**5,065**	(24,604)	**622,836**	107,218
Depreciation and amortisation	**32,749**	51,811	**22,314**	22,405	**20,571**	24,578	**20,325**	38,428	**115,122**	117,697	**41,902**	33,720	**252,983**	288,639
Write-down of inventories	**-**	-	**-**	-	**-**	-	**19,892**	-	**-**	-	**-**	-	**19,892**	-
As at 30 June 2009 and 31 December 2008														
Reportable segment assets	**640,717**	508,328	**423,469**	438,850	**403,668**	425,890	**437,947**	333,372	**1,403,152**	1,429,522	**398,583**	422,611	**3,707,536**	3,558,573

Revenues from segments below the quantitative thresholds are mainly attributable to two operating segments of the Group including a dynamic manufacturing center and a thermoelectricity manufacturing center. None of those segments met any of the quantitative thresholds for determining reportable segments.

3. **Segment reporting** *(continued)*

(b) *Reconciliations of reportable segment revenues, profit or loss and assets*

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Revenue		
Revenue for reportable segments excluding other revenue	**6,041,005**	8,366,528
Other revenue	**154,454**	182,081
Elimination of inter-segment revenue	**(59,884)**	–
Consolidated turnover	**6,135,575**	8,548,609
Profit		
Profits for reportable segments excluding other profit/(loss)	**617,771**	131,822
Other profit/(loss)	**5,065**	(24,604)
Elimination of inter-segment profit	**(7,785)**	–
	615,051	107,218
Other income	**9,195**	923
Distribution costs	**(98,185)**	(98,261)
Administrative expenses	**(216,564)**	(162,450)
Other expenses	**(7,782)**	(6,874)
Net finance income	**8,882**	21,772
Share of loss of a jointly controlled entity	**–**	(76,263)
Consolidated profit/(loss) before taxation	**310,597**	(213,935)

	At 30 June 2009	At 31 December 2008
	RMB'000	*RMB'000*
Assets		
Assets for reportable segments excluding other assets	**3,308,953**	3,135,962
Other assets	**398,583**	422,611
Unallocated assets	**1,632,311**	1,243,696
Elimination of inter-segment balances	**(1,581)**	–
	5,338,266	4,802,269
Other non-current assets	**397,563**	466,622
Trade and other receivables	**1,258,918**	1,807,778
Deposits with banks and other financial institutions	**983,000**	362,461
Cash and cash equivalents	**671,620**	841,294
Consolidated total assets	**8,649,367**	8,280,424

4. Business combination

On 18 February 2009, the Company entered into a conditional Equity Interest Transfer Agreement with UNIFI Asia Holding SRL ("**UNIFI Asia**") to acquire UNIFI Asia's 50% equity interest in Yihua UNIFI Fibre Industry Company Limited ("**Yihua UNIFI**") at a consideration of USD 9,000,000 (RMB equivalent 61,525,000), subject to Chinese regulatory approval and certain customary closing conditions. The regulatory approval and customary closing conditions were completed on 2 March 2009. As a result, the Company's equity interest in Yihua UNIFI increased from 50 percent to 100 percent. Yihua UNIFI was changed from a jointly controlled entity of the Company to a wholly owned subsidiary.

Yihua UNIFI was established in Yizheng City, Jiangsu Province, and is principally engaged in manufacturing, processing and sale of differentiated polyester textile filament products. After the acquisition, the board of directors of Yihua UNIFI resolved to change the entity's name to Yihua Jingwei Fibre Company Limited ("**Yihua Jingwei**").

Yihua Jingwei's financial information from the date of acquisition to 30 June 2009 is as follows:

	RMB'000
Sales	262,649
Net loss	40,748

The Group's revenue and profit for the period ended 30 June 2009 would not be materially different had the acquisition occurred on 1 January 2009.

Details of identifiable assets and liabilities are as follows:

	As at the date of acquisition	
	Fair value	**Carrying amount**
	RMB'000	*RMB'000*
Property, plant and equipment	329,717	287,116
Construction in progress	1,699	1,699
Inventories	83,623	83,623
Trade and other receivables	14,608	14,608
Cash and cash equivalents	43,111	43,111
Trade and other payables	(349,159)	(349,159)
Bank loans and overdrafts	(549)	(549)
Total net identifiable assets	123,050	80,449
Net identifiable assets acquired for 50% equity interest	61,525	

For the above identifiable assets which have an active market, the quoted prices in the active market are used to establish their fair value; if there is no active market, their fair value is estimated based on the market price of the same or similar types of assets which have an active market; if there is no active market for even the same asset or similar types of assets, valuation techniques are used to determine the fair value.

For the above identifiable liabilities, the payable amount or the present value of the payable amount is its fair value.

4. **Business combination** *(continued)*

Cash outflow to acquire business, net of cash acquired:

	RMB'000
Cash consideration	61,525
Cash held by subsidiary acquired	(43,111)
Net cash outflow on acquisition	18,414

5 **Turnover**

Turnover represents the sales value of goods sold to customers, net of value-added tax and is after deduction of any sales discounts and returns.

6 **Profit/(loss) before taxation**

Profit/(loss) before taxation is arrived at after charging/(crediting):

(a) Net finance income

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Interest income	**(8,303)**	(10,145)
Net foreign exchange gain	**(4,743)**	(14,173)
Finance income	**(13,046)**	(24,318)
Interest on borrowings	**4**	395
Interest on discounting bills	**3,444**	1,324
Interest expense	**3,448**	1,719
Others	**716**	827
Finance expenses	**4,164**	2,546
Net finance income	**(8,882)**	(21,772)

(b) Other items:

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Cost of inventories	**5,520,524**	8,441,391
Depreciation	**262,672**	311,737
Impairment losses of property, plant and equipment	**4,390**	–
Amortisation of lease prepayments	**1,621**	1,642
Write-down of inventories	**19,892**	5,624
Employee reduction expenses	**1,022**	8,727
Net gain on disposal of property, plant and equipment	**(8,890)**	(1,279)

7. Income tax

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Current tax		
– Over-provision in respect of prior years	**–**	(296)
	–	(296)
Reversal of deferred tax assets	**655**	48,122
Income tax	**655**	47,826

The State Administration of Taxation issued a tax circular "Enterprise Income Tax Issues relating to Nine Companies Listed Overseas" in June 2007 which requested the relevant local tax authorities to rectify, immediately, the expired concessionary tax policy for the nine listed companies authorised by the State Council to issue shares in Hong Kong in 1993 which, at the time of writing, was still being applied. The notice stated that the difference in enterprise income tax ("**EIT**") arising from the expired preferential rate and the applicable rate should be settled according to the provisions of "Law on the Administration of Tax Collection".

The Company is one of the nine listed companies mentioned above and applied the preferential EIT rate of 15% in prior years. The Company communicated with the relevant tax authorities to assess the situation and was informed that the EIT rate for the Company would be adjusted from the original 15% to 33% in 2007. Up till now, the Company has not been requested to pay additional EIT in respect of any prior year. The directors of the Company consider that the relevant tax authorities are not likely to request additional EIT from the Company. Consequently, no provision has been made in this interim financial report in respect of the EIT differences arising from prior years.

The charge for PRC income tax for the period is calculated at the rate of 25% (2008: 25%) on the estimated assessable income of the period determined in accordance with the relevant tax rules and regulations.

The Group did not carry on business in Hong Kong or overseas and therefore does not incur Hong Kong Profits Tax or overseas income taxes.

8. Dividend

No final dividend in respect of the financial year 2008 was approved during the period (financial year 2007: RMB nil).

The Board of Directors does not recommend the payment of any interim dividend for the six months ended 30 June 2009 (2008: RMB nil).

9 Earnings/(loss) per share

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to equity shareholders of the Company of RMB 309,942,000 for the six months ended 30 June 2009 (six months ended 30 June 2008: loss of RMB 261,761,000) and the weighted average number of ordinary shares of 4,000,000,000 (2008: 4,000,000,000) in issue during the period.

(b) Diluted earnings/(loss) per share

The Group had no dilutive potential ordinary shares in existence during the six months ended 30 June 2009 and 2008.

10. Property, plant and equipment

Acquisitions and disposals

The acquisitions and disposals of items of property, plant and equipment during the six months ended 30 June 2009 are as follows:

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Cost of acquisitions and transfer from construction in progress	**100,295**	12,086
Additions from business combination *(note 4)*	**308,417**	–
Disposals (net carrying amount)	**(26,247)**	(9,150)

11. Trade and other receivables

	At 30 June 2009	At 31 December 2008
	RMB'000	*RMB'000*
Trade receivables	**159,342**	90,931
Bills receivable	**809,500**	1,179,716
Amounts due from parent company and fellow subsidiaries – trade	**12,189**	30,861
Amounts due from jointly controlled entity – trade	**–**	199,078
	981,031	1,500,586
Amounts due from parent company and fellow subsidiaries-non-trade	**10,871**	10,612
Other receivables, deposits and prepayments	**267,016**	296,580
	1,258,918	1,807,778

Sales are generally on a cash term. Subject to negotiation, credit is generally only available for major customers with well-established trading records.

The ageing analysis of trade receivables, bills receivable, amounts due from the parent company and fellow subsidiaries – trade and amounts due from the jointly controlled entity – trade (net of allowance for doubtful debts) is as follows:

	At 30 June 2009	At 31 December 2008
	RMB'000	*RMB'000*
Current	**981,031**	1,499,980
Less than 1 year past due	**–**	97
1 to 2 years past due	**–**	509
	981,031	1,500,586

Trade receivables and amounts due from the parent company are due within 2 months to 12 months from the date of billing. Bills receivable are due within 6 months from the date of billing.

12. Deposits with banks and other financial institutions

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Balances with banks and other financial institutions, which are related parties		
– Sinopec Finance Company Limited ("**Sinopec Finance**")	**200,161**	104,603
– China CITIC Bank	**37,242**	42,030
– State-controlled banks in the PRC (excluding China CITIC Bank)	**1,417,198**	1,057,101
	1,654,601	1,203,734
Less: Balances with banks and other financial institutions with an initial term of less than three months *(note 13)*	**(671,601)**	(841,273)
	983,000	362,461

13. Cash and cash equivalents

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Cash in hand	**19**	21
Balances with banks and other financial institutions with an initial term of less than three months *(note 12)*	**671,601**	841,273
Cash and cash equivalents in the condensed consolidated cash flow statement	**671,620**	841,294

14. Trade and other payables

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Bills payable	**320,000**	115,000
Trade payables	**926,211**	793,866
Amounts due to parent company and fellow subsidiaries – trade	**112,191**	449,785
Amounts due to jointly controlled entity – trade	**–**	11,158
	1,358,402	1,369,809
Amounts due to parent company and fellow subsidiaries – non-trade	**24,397**	13,925
Other payables and accrued expenses	**405,134**	349,960
	1,787,933	1,733,694

The maturity analysis of bills payable and trade payables is as follows:

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Due within 1 month or on demand	**1,138,402**	943,603
Due after 1 month but within 3 months	**220,000**	348,693
Due after 3 months but within 12 months	**–**	77,513
	1,358,402	1,369,809

15. Reserves

For the six months ended 30 June 2009, no transfers were made to the statutory surplus reserve, or the discretionary surplus reserve (2008: RMB nil).

For the six months ended 30 June 2009, the Company used the statutory surplus reserve and discretionary surplus reserve amounting to RMB 1,456,004,000 to make good the Company's previous years' losses.

16. Related party transactions

CPC, Sinopec Corp and China International Trust and Investment Corporation ("**CITIC**") are considered to be related parties as they have the ability to control the Group or exercise significant influence over the Group in making financial and operating decisions.

Sinopec Finance, China CITIC Bank and other subsidiaries of CPC, Sinopec Corp or CITIC are considered to be related parties as they are subject to the common significant influence of CPC, Sinopec Corp or CITIC.

Yihua UNIFI was considered to be a related party for the period before 2 March 2009 as it was a jointly controlled entity of which the Company and the other venturer have the ability to exercise jointly control over it (see note 4).

(a) Significant transactions between the Group and the related parties during the period were as follows:

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Sinopec Corp and its subsidiaries		
Purchase of raw materials	**2,923,530**	4,226,140
Service charges for the purchase of raw materials	**6,353**	16,678
Sinopec Finance		
Interest income	**455**	654
Interest expenses	**–**	1,719
CPC and its subsidiaries (excluding Sinopec Corp and its subsidiaries and Sinopec Finance)		
Sales	**95,039**	116,255
Miscellaneous service fee charges	**6,000**	6,000
Construction and overhaul fee	**9,000**	–
Insurance premium	**2,115**	3,490
China CITIC Bank		
Interest income	**658**	358
Interest expense	**4**	–
Yihua UNIFI		
Sales of finished goods	**90,348**	382,606

The directors of the Company are of the opinion that the above transactions with related parties were conducted in the ordinary course of business and on normal commercial terms or in accordance with the terms of the agreements governing such transactions.

16. Related party transactions *(continued)*

(b) Transactions with other state-controlled entities in the PRC

The Group is a state-controlled enterprise and operates in an economic regime currently dominated by entities directly or indirectly controlled by the PRC government through its government authorities, agencies, affiliations and other organisations (collectively referred as "**state-controlled entities**").

Apart from transactions with CPC and its fellow subsidiaries and China CITIC Bank, the Group has transactions with other state-controlled entities which include but are not limited to the following:

– depositing money;
– borrowing loans; and
– discounting bills.

These transactions are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not state-controlled. The Group has established its approval process for depositing money, borrowing loans and discounting bills, which does not depend on whether the counterparties are state-controlled entities or not.

The Group deposits its cash with several state-controlled banks in the PRC. The Group also obtains short-term loans from and discounting bills to these banks in the ordinary course of business. The interest rates of the bank deposits and loans and the discounting rates are regulated by the People's Bank of China. The Group's interest income from and interest expense to these state-controlled banks in the PRC is as follows:

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Interest income	**7,190**	9,133
Interest expense	**3,444**	–

(c) Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and supervisors of the Group. The key management personnel compensations are as follows:

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Short-term employee benefits	**1,438**	1,223
Retirement scheme contributions	**74**	82

16. **Related party transactions** *(continued)*

(d) ***Contributions to defined contribution retirement scheme***

As stipulated by the regulations of the PRC, the Company and its subsidiary in the PRC participate in basic defined contribution retirement schemes organised by their respective municipal governments under which they are governed. Details of the schemes of the Group are as follows:

Administrator	Beneficiary	Contribution rate	
		2009	2008
Yizheng Municipal Government, Jiangsu Province	Employees of the Group	**20%**	20%

All employees are entitled to retirement benefits equal to a fixed proportion of their salaries and benefits in kind prevailing at their normal retirement ages.

In addition to the above, pursuant to a document "Lao Bu Fa [1995] No. 464" dated 29 December 1995 issued by the Ministry of Labour of the PRC, the Group has set up a supplementary defined contribution retirement scheme for its employees. Assets of the scheme are held separately from those of the Group in an independent fund administered by representatives from the Group. The scheme is funded by contributions from the Group which are calculated at a rate based on the basic salaries of its employees. The contribution rate for 2009 was 9% (2008: 9%).

The Group has no other material obligation for the payment of retirement benefits associated with this scheme beyond the contributions described above.

17. **Capital commitments**

Capital commitments relate primarily to construction of buildings, plant, machinery and purchase of equipment. The Group had capital commitments outstanding at 30 June 2009 not provided for in the interim financial report as follows:

	At 30 June 2009 ***RMB'000***	At 31 December 2008 *RMB'000*
Contracted for	**46,129**	–
Authorised but not contracted for	**194,796**	137,418
	240,925	137,418

18. **Comparative figures**

As a result of the application of IAS1 (revised 2007), *Presentation of financial statements*, and IFRS 8, *Operating segments*, certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in note 2.

(B) Interim financial report prepared in accordance with the PRC Accounting Standards for Business Enterprises (2006)

Balance sheets *(unaudited)*

(Expressed in thousands of renminbi yuan)

		The Group		The Company	
	Note	**At 30 June 2009**	At 31 December 2008	**At 30 June 2009**	At 31 December 2008
Assets					
Current assets					
Cash at bank and on hand	7	**1,654,620**	1,203,755	**1,642,659**	1,203,755
Bills receivable	8	**809,500**	1,290,568	**804,026**	1,290,568
Accounts receivable	9	**162,831**	190,378	**450,935**	190,378
Prepayments	10	**18,069**	23,648	**17,865**	23,648
Other receivables	11	**78,561**	107,939	**77,498**	107,939
Inventories	12	**1,252,047**	831,453	**1,206,910**	831,453
Other current assets	13	**189,957**	195,245	**189,957**	195,245
Total current assets		**4,165,585**	3,842,986	**4,389,850**	3,842,986
Non-current assets					
Long-term equity investments	14	**–**	25,803	**87,328**	25,803
Fixed assets	15	**3,996,624**	3,870,709	**3,720,591**	3,870,709
Construction in progress	16	**231,032**	272,012	**229,456**	272,012
Intangible assets	17	**391,022**	405,774	**391,022**	405,774
Total non-current assets		**4,618,678**	4,574,298	**4,428,397**	4,574,298
Total assets		**8,784,263**	8,417,284	**8,818,247**	8,417,284

The notes on pages 56 to 115 form part of this interim financial report.

Balance sheets *(unaudited)* *(continuted)*
(Expressed in thousands of renminbi yuan)

		The Group		The Company	
	Note	**At 30 June 2009**	At 31 December 2008	**At 30 June 2009**	At 31 December 2008
Liabilities and shareholders' equity					
Current liabilities					
Bills payable	*20*	**320,000**	115,000	**320,000**	115,000
Accounts payable	*21*	**846,174**	1,004,018	**838,329**	1,004,018
Advance from customers	*21*	**192,228**	244,437	**194,704**	244,437
Employee benefits payable	*22*	**118,186**	61,345	**112,838**	61,345
Taxes payable	*5(3)*	**5,835**	17,979	**4,600**	17,979
Other payables	*21*	**305,510**	290,915	**315,349**	290,915
Provisions	*23*	**5,198**	5,198	**5,198**	5,198
Total current liabilities		**1,793,131**	1,738,892	**1,791,018**	1,738,892
Non-current liabilities					
Deferred income	*24*	**19,762**	15,000	**19,762**	15,000
Total non-current liabilities		**19,762**	15,000	**19,762**	15,000
Total liabilities		**1,812,893**	1,753,892	**1,810,780**	1,753,892
Shareholders' equity					
Share capital	*25*	**4,000,000**	4,000,000	**4,000,000**	4,000,000
Capital reserve	*26*	**3,107,164**	3,107,164	**3,107,164**	3,107,164
Surplus reserve	*27*	**–**	1,456,004	**–**	1,456,004
Accumulated losses		**(135,794)**	(1,899,776)	**(99,697)**	(1,899,776)
Total equity		**6,971,370**	6,663,392	**7,007,467**	6,663,392
Total liabilities and shareholders' equity		**8,784,263**	8,417,284	**8,818,247**	8,417,284

The interim financial report has been approved by the Board of Directors of the Company on 24 August 2009.

Qian Heng-ge	**Xiao Wei-zhen**	**Li Jian-ping**	**Xu Xiu-yun**
Legal Representative	*General Manager*	*Chief Financial Officer*	*Supervisor of the Asset and Accounting Department*

The notes on pages 56 to 115 form part of this interim financial report.

Income statements *(unaudited)*

For the six months ended 30 June
(Expressed in thousands of renminbi yuan)

	Note	The Group 2009	The Group 2008	The Company 2009	The Company 2008
Operating income	28	**6,135,575**	8,548,609	**6,053,628**	8,548,609
Less: Operating costs		**5,358,807**	8,305,392	**5,279,270**	8,305,392
Business taxes and surcharges	29	**16,404**	6,237	**16,325**	6,237
Selling and distribution expenses		**98,185**	98,261	**92,308**	98,216
General and administrative expenses		**343,429**	292,763	**332,967**	292,679
Net financial income	30	**(8,882)**	(21,772)	**(10,981)**	(21,519)
Impairment loss	31	**25,457**	2,069	**5,565**	2,069
Add: Investment losses	32	**-**	(76,263)	**-**	82,405
(Including: Losses from investment in jointly controlled entity)		**-**	(76,263)	**-**	(76,263)
Operating profit/(loss)		**302,175**	(210,604)	**338,174**	(52,060)
Add: Non-operating income	33	**9,763**	2,171	**9,758**	1,678
Less: Non-operating expenses	34	**3,960**	8,153	**3,857**	8,112
(Including: Losses from disposal of non-current assets)		**568**	–	**568**	–
Profit/(loss) before income tax		**307,978**	(216,586)	**344,075**	(58,494)
Less: Income tax expenses	35	**-**	47,163	**-**	47,459
Net profit/(loss) for the period		**307,978**	(263,749)	**344,075**	(105,953)
Attributable to: Shareholders of the Company		**307,978**	(263,749)	**344,075**	(105,953)
Earnings/(loss) per share					
Basic and diluted earnings/(loss) per share *(in RMB)*	42(1)	**0.077**	(0.066)	**0.086**	(0.026)
Other comprehensive income for the period		**-**	–	**-**	–
Total comprehensive income/(expenses) for the period		**307,978**	(263,749)	**344,075**	(105,953)
Attributable to: Shareholders of the Company		**307,978**	(263,749)	**344,075**	(105,953)

The interim financial report has been approved by the Board of Directors of the Company on 24 August 2009.

Qian Heng-ge	**Xiao Wei-zhen**	**Li Jian-ping**	**Xu Xiu-yun**
Legal Representative	*General Manager*	*Chief Financial Officer*	*Supervisor of the Asset and Accounting Department*

The notes on pages 56 to 115 form part of this interim financial report.

Cash flow statements *(unaudited)*

For the six months ended 30 June
(Expressed in thousands of renminbi yuan)

	Note	The Group 2009	The Group 2008	The Company 2009	The Company 2008
Cash flows from operating activities:					
Cash received from sale of goods and rendering of services		**7,282,153**	9,456,461	**6,969,739**	9,428,184
Refund of taxes		**1,808**	5,833	**1,466**	5,833
Other cash received relating to operating activities		**67**	151	**62**	151
Sub-total of cash inflows		**7,284,028**	9,462,445	**6,971,267**	9,434,168
Cash paid for goods and services		**(5,749,752)**	(8,989,428)	**(5,502,643)**	(8,989,428)
Cash paid to and for employees		**(298,405)**	(293,146)	**(274,616)**	(293,146)
Cash paid for all types of taxes		**(251,473)**	(270,448)	**(243,090)**	(270,439)
Other cash paid relating to operating activities		**(166,659)**	(96,210)	**(104,780)**	(96,024)
Sub-total of cash outflows		**(6,466,289)**	(9,649,232)	**(6,125,129)**	(9,649,037)
Net cash inflow/(outflow) from operating activities	*36(1)*	**817,739**	(186,787)	**846,138**	(214,869)
Cash flows from investing activities:					
Net cash received from disposal of a subsidiary		**–**	–	**–**	116,170
Net cash received from disposal of fixed assets and intangible assets		**13,836**	6,091	**13,836**	6,091
Interest received		**8,303**	10,145	**8,016**	9,851
Government grants received		**5,000**	11,000	**5,000**	11,000
Sub-total of cash inflows		**27,139**	27,236	**26,852**	143,112
Cash paid for acquisition of fixed assets and intangible assets		**(74,356)**	(120,159)	**(73,932)**	(120,159)
Cash paid for acquisition of a subsidiary	*36(3)*	**(18,414)**	–	**(61,525)**	–
Sub-total of cash outflows		**(92,770)**	(120,159)	**(135,457)**	(120,159)
Net cash (outflow)/inflow from investing activities		**(65,631)**	(92,923)	**(108,605)**	22,953

The notes on pages 56 to 115 form part of this interim financial report.

Cash flow statements *(unaudited)* *(continued)*
For the six months ended 30 June
(Expressed in thousands of renminbi yuan)

	Note	The Group 2009	The Group 2008	The Company 2009	The Company 2008
Cash flows from financing activities:					
Cash received from borrowings		**–**	716,000	**–**	716,000
Sub-total of cash inflows		**–**	716,000	**–**	716,000
Cash repayments of borrowings		**(334)**	(716,000)	**–**	(716,000)
Cash paid for interest		**(3,448)**	(1,719)	**(1,168)**	(1,719)
Sub-total of cash outflows		**(3,782)**	(717,719)	**(1,168)**	(717,719)
Net cash outflow from financing activities		**(3,782)**	(1,719)	**(1,168)**	(1,719)
Net increase/(decrease) in cash and cash equivalents	*36(1)*	**748,326**	(281,429)	**736,365**	(193,635)
Add: Cash and cash equivalents at the beginning of the period		**906,294**	1,034,747	**906,294**	946,953
Cash and cash equivalents at the end of the period		**1,654,620**	753,318	**1,642,659**	753,318

The interim financial report has been approved by the Board of Directors of the Company on 24 August 2009.

Qian Heng-ge	**Xiao Wei-zhen**	**Li Jian-ping**	**Xu Xiu-yun**
Legal Representative	*General Manager*	*Chief Financial Officer*	*Supervisor of the Asset and Accounting Department*

The notes on pages 56 to 115 form part of this interim financial report.

Consolidated statement of changes in shareholder's equity *(unaudited)*

For the six months ended 30 June

(Expressed in thousands of renminbi yuan)

	2009					2008				
	Share capital	**Capital reserve**	**Surplus reserve**	**Accumulated losses**	**Total**	Share capital	Capital reserve	Surplus reserve	Accumulated losses	Total
As at the beginning of the period	**4,000,000**	**3,107,164**	**1,456,004**	**(1,899,776)**	**6,663,392**	4,000,000	3,107,164	1,456,004	(254,491)	8,308,677
Changes in equity for the period										
1. Net profit/(loss) for the period	**-**	**-**	**-**	**307,978**	**307,978**	–	–	–	(263,749)	(263,749)
2. Transfers within equity										
– Loss covered by surplus reserve	**-**	**-**	**(1,456,004)**	**1,456,004**	**-**	–	–	–	–	–
As at the end of the period	**4,000,000**	**3,107,164**	**-**	**(135,794)**	**6,971,370**	4,000,000	3,107,164	1,456,004	(518,240)	8,044,928

The interim financial report has been approved by the Board of Directors of the Company on 24 August 2009.

Qian Heng-ge	**Xiao Wei-zhen**	**Li Jian-ping**	**Xu Xiu-yun**
Legal Representative	*General Manager*	*Chief Financial Officer*	*Supervisor of the Asset and Accounting Department*

The notes on pages 56 to 115 form part of this interim financial report.

Statement of changes in shareholder's equity *(unaudited)*

For the six months ended 30 June
(Expressed in thousands of renminbi yuan)

	2009					2008				
	Share capital	**Capital reserve**	**Surplus reserve**	**Accumulated losses**	**Total**	Share capital	Capital reserve	Surplus reserve	Accumulated losses	Total
As at the beginning of the period	**4,000,000**	**3,107,164**	**1,456,004**	**(1,899,776)**	**6,663,392**	4,000,000	3,107,164	1,456,004	(412,287)	8,150,881
Changes in equity for the period										
1. Net profit/(loss) for the period	**-**	**-**	**-**	**344,075**	**344,075**	–	–	–	(105,953)	(105,953)
2. Transfers within equity										
– Loss covered by surplus reserve	**-**	**-**	**(1,456,004)**	**1,456,004**	**-**	–	–	–	–	–
As at the end of the period	**4,000,000**	**3,107,164**	**-**	**(99,697)**	**7,007,467**	4,000,000	3,107,164	1,456,004	(518,240)	8,044,928

The interim financial report has been approved by the Board of Directors of the Company on 24 August 2009.

Qian Heng-ge	**Xiao Wei-zhen**	**Li Jian-ping**	**Xu Xiu-yun**
Legal Representative	*General Manager*	*Chief Financial Officer*	*Supervisor of the Asset and Accounting Department*

The notes on pages 56 to 115 form part of this interim financial report.

Notes to the financial statements

(Expressed in thousands of renminbi yuan unless otherwise indicated)

1. Company status

Sinopec Yizheng Chemical Fibre Company Limited ("the Company"), headquartered in Yizheng, Jiangsu Province, was established in the People's Republic of China ("PRC") on 31 December 1993 as a joint stock limited company as part of the restructuring of Sinopec Asset and Management Corporation Yizheng Branch ("Sinopec Asset and Management Corp") (formerly "Yihua Group Corporation" ("Yihua")).

On the same date, the principal business undertakings of Yihua together with the relevant assets and liabilities were taken over by the Company.

The Company issued 1,000,000,000 H shares in March 1994, 200,000,000 A shares in January 1995 and a further 400,000,000 new H shares in April 1995. The Company's H shares and new H shares were listed and commenced trading on the Stock Exchange of Hong Kong Limited on 29 March 1994 and 26 April 1995 respectively. The Company's A shares were listed and commenced trading on the Shanghai Stock Exchange on 11 April 1995.

Pursuant to the directives on the reorganisation of certain companies involving the Company and Yihua as issued by the State Council and other government authorities of the PRC, China Eastern United Petrochemical (Group) Company Limited ("CEUPEC") became the largest shareholder of the Company on 19 November 1997, holding the 1,680,000,000 A shares (representing 42% of the Company's issued share capital) previously held by Yihua. China International Trust and Investment Corporation ("CITIC") continues to hold the 18% of the Company's issued share capital (in the form of A shares) that it held prior to the reorganisation, and the balance of 40% remains in public hands in the form of A shares and H shares.

Following the State Council's approval of the reorganisation of China Petrochemical Corporation ("CPC") on 21 July 1998, CEUPEC joined CPC. As a result of the reorganisation, Yihua replaced CEUPEC as the holder of the 42% of the Company's issued share capital, and CEUPEC dissolved.

The reorganisation of CPC was completed on 25 February 2000 and CPC set up a joint stock limited company, China Petroleum & Chemical Corporation ("Sinopec Corp"), in the PRC. From that date, the 1,680,000,000 A shares (representing 42% of the issued share capital of the Company), which were previously held by Yihua, were transferred to Sinopec Corp and Sinopec Corp became the largest shareholder of the Company.

The immediate parent of the Company is Sinopec Corp, and the ultimate controlling party of the Company is CPC.

Pursuant to a special resolution passed in the Shareholders' Meeting on 18 October 2000, the name of the Company was changed from "Yizheng Chemical Fibre Company Limited" to "Sinopec Yizheng Chemical Fibre Company Limited".

The principal activities of the Company and its subsidiary ("the Group") are the manufacturing and sale of chemical fibre and chemical fibre raw materials.

2. Basis of preparation

(1) Statement of compliance with the Accounting Standards for Business Enterprises ("ASBE (2006)")

The financial statements have been prepared in accordance with the requirements of ASBE (2006) issued by the Ministry of Finance ("MOF"). These financial statements present truly and completely the consolidated financial position and financial position, the consolidated results of operations and results of operations and the consolidated cash flows and cash flows of the Group and the Company.

These financial statements also comply with the disclosure requirements of "Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares, No. 15: General Requirements for Financial Reports" as revised by the China Securities Regulatory Commission ("CSRC") in 2007.

(2) Accounting year

The accounting year of the Group and the Company is from 1 January to 31 December.

(3) Measurement basis

The measurement basis used in the preparation of the financial statements is historical cost basis.

(4) Functional currency and presentation currency

The Group's and the Company's functional currency is renminbi. These financial statements are presented in renminbi.

3. Significant accounting policies and accounting estimates

(1) Business combination and consolidated financial statements

(a) Business combination involving entities not under common control

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the business combination. The cost of a business combination paid by the acquirer is the aggregate of the fair value at the acquisition date of assets given, liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree plus any cost directly attributable to the business combination. The difference between the fair value and the carrying amount of the assets given is recognised in profit or loss. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

The acquirer, at the acquisition date, allocate the cost of the business combination by recognising the acquiree's identifiable asset, liabilities and contingent liabilities at their fair value at that date.

Any excess of the cost of a business combination over the acquirer's interest in the fair value of the acquiree's identifiable net assets is recognised as goodwill.

Any excess of the acquirer's interest in the fair value of the acquiree's identifiable net assets over the cost of a business combination is recognised in profit or loss.

3. Significant accounting policies and accounting estimates *(continued)*

(1) Business combination and consolidated financial statements (continued)

(b) Consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Where a subsidiary was acquired during the reporting period, through a business combination involving entities under common control, the financial statements of the subsidiary are included in the consolidated financial statements as if the combination had occurred at the date that common control was established. Therefore the opening balances and the comparative figures of the consolidated financial statements are restated. In the preparation of the consolidated financial statements, the subsidiary's assets, liabilities and results of operations are included in the consolidated balance sheet and the consolidated income statement, respectively, based on their carrying amounts, from the date that common control was established.

Where a subsidiary was acquired during the reporting period through a business combination involving entities not under common control, the identifiable assets, liabilities and results of operations of the subsidiaries are consolidated into the consolidated financial statements from the date that control commences, base on the fair value of those identifiable assets and liabilities at the acquisition date.

When the accounting period or accounting policies of a subsidiary are different from those of the Company, the Company makes necessary adjustments to the financial statements of the subsidiary based on the Company's own accounting period or accounting policies. Intra-group balances and transactions, and any unrealised profit or loss arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

(2) Translation of foreign currencies

When the Group and the Company receive capital in foreign currencies from investors, the capital is translated to renminbi at the spot exchange rate at the date of the receipt. Other foreign currency transactions are, on initial recognition, translated to renminbi at the spot exchange rates at the dates of the transactions.

A spot exchange rate is an exchange rate quoted by the People's Bank of China ("PBOC rates").

Monetary items denominated in foreign currencies are translated to renminbi at the PBOC rates at the balance sheet date. The resulting exchange differences are recognised in profit or loss, except those arising from the principals and interests on foreign currency borrowings specifically for the purpose of acquisition, construction of qualifying assets (see Note 3(15)). Non-monetary items denominated in foreign currencies that are measured at historical cost are translated to renminbi using the foreign exchange rates at the transactions dates.

(3) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments, which are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

3. Significant accounting policies and accounting estimates *(continued)*

(4) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost of inventories comprises all costs of purchase, costs of conversion and other costs. Inventories are initially measured at their actual cost. Cost of inventories is calculated using the weighted average method. In addition to the purchasing cost of raw materials, work in progress and finished goods include direct labour costs and an appropriate allocation of production overheads.

Any excess of the cost over the net realisable value of each item of inventories is recognised as a provision for diminution in the value of inventories. Net realisable value is the estimated selling price in the normal course of business less the estimated costs to completion and the estimated expenses and related taxes necessary to make the sale.

Reusable materials include low-value consumables, packaging materials and other materials, which can be used repeatedly but do not meet the definition of fixed assets. Reusable materials are amortised in full when received for use. The amounts of the amortisation are included in the cost of the related assets or profit or loss.

The Group and the Company maintain a perpetual inventory system.

(5) Long-term equity investments

(a) Investments in subsidiaries

In the Group's consolidated financial statements, investments in subsidiaries are accounted for in accordance with the principles described in Note 3(1)(b).

In the Company's financial statements, investments in subsidiaries are accounted for using the cost method. The investments are stated at cost less impairment losses (see Note 3(9)(b)) in the balance sheet. At initial recognition, such investments are measured as follows:

– The initial investment cost of a long-term equity investment obtained through a business combination involving entities under common control is the Company's share of the subsidiary's equity at the combination date. The difference between the initial investment cost and the carrying amounts of the consideration given is adjusted to share premium in capital reserve. If the balance of the share premium is insufficient, any excess is adjusted to retained earnings.

– The initial investment cost of a long-term equity investment obtained through a business combination involving entities not under common control is the cost of acquisition determined at the acquisition date.

– An investment in a subsidiary acquired otherwise than through a business combination is initially recognised at actual payment cost if the Company acquires the investment by cash, or at the value stipulated in the investment contract or agreement if an investment is contributed by shareholders.

(b) Investments in jointly controlled entities

A jointly controlled entity is an enterprise which operates under joint control in accordance with a contractual agreement between the Group and the Company and other parties. Joint control is the contractual agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing the control.

An investment in a jointly controlled entity is accounted for using the equity method.

3. **Significant accounting policies and accounting estimates** *(continued)*

(5) ***Long-term equity investments*** *(continued)*

(b) Investments in jointly controlled entities *(continued)*

At period-end, the Group and the Company make provision for impairment loss of investments in jointly controlled entities (see Note 3(9)(b)).

An investment in a jointly controlled entity is initially recognised at actual payment cost if the Group and the Company acquire the investment by cash, or at the fair value of the assets given up if the long-term equity investment is acquired through an exchange of non-monetary assets. The difference between the fair value and the carrying amount of the assets given up is charged to the income statement.

The Group and the Company make the following accounting treatments when using the equity method:

– Where the initial investment cost of a long-term equity investment exceeds the Group's and the Company's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at the initial investment cost. Where the initial investment cost is less than the Group's and the Company's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at the investor's share of the fair value of the investee's identifiable net assets, and the difference is charged to profit or loss.

– After the acquisition of the investment, the Group and the Company recognise share of the investee's net profits or losses as investment income or loss, and adjust the carrying amount of the investment accordingly. Once the investee declares any cash dividends or profits distributions, the carrying amount of the investment is reduced by that attributable to the Group and the Company.

  The Group and the Company recognise their share of the investee's net profits or losses after making appropriate adjustments to align the accounting policies or accounting periods with those of the Group and the Company based on the fair values of the investee's identifiable net assets at the date of acquisition. Unrealised profits and losses resulting from transactions between the Group and the Company and its jointly controlled entities are eliminated to the extent of the Group's and the Company's interest in the jointly controlled entities. Unrealised losses resulting from transactions between the Group and the Company and its jointly controlled entities are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

– The Group and the Company discontinue recognising their share of net losses of the investee after the carrying amount of the long-term equity investment and any long-term interest that in substance forms part of the Group's and the Company's net investment in the jointly controlled entity is reduced to zero, except to the extent that the Group and the Company have an obligation to assume additional loss. Where net profits are subsequently made by the jointly controlled entity, the Group and the Company resume recognising their share of those profits only after their share of the profits equals the share of losses not recognised.

3. Significant accounting policies and accounting estimates *(continued)*

(6) Fixed assets and construction in progress

Fixed assets represent the tangible assets held by the Group and the Company for use in the production of goods, rendering of services or for operation and administrative purposes with useful lives over one accounting year.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see Note 3(9)(b)). Construction in progress is stated in the balance sheet at cost less impairment losses (see Note 3(9)(b)).

The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour, capitalised borrowing costs (see Note 3(15)), and any other costs directly attributable to bringing the asset to working condition for its intended use.

Construction in progress is transferred to fixed assets when it is ready for its intended use. No depreciation is provided against construction in progress.

Where parts of an item of fixed asset have different useful lives or provide benefits to the Group and the Company in different patterns thus necessitating use of different depreciation rates, each part is recognised as a separate fixed asset.

The subsequent costs including the cost of replacing part of an item of fixed assets are recognised in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of fixed assets are recognised in profit or loss as incurred.

Gains or losses arising from the retirement or disposal of an item of fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Fixed assets are depreciated using the straight-line method over their estimated useful lives. The estimated useful lives, residual values and depreciation rates of each class of fixed assets are as follows:

	Estimated useful life	**Estimated residual value**	**Depreciation rate**
Plants and buildings	25-40 years	3%	2.4%-3.9%
Machinery and equipment	8-22 years	3%	4.4%-12.1%
Motor vehicles and other fixed assets	4-10 years	3%	9.7%-24.3%

Useful lives, residual values and depreciation methods are reviewed at least each year-end.

3. Significant accounting policies and accounting estimates *(continued)*

(7) Intangible assets

Intangible assets are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 3(9)(b)). For an intangible asset with finite useful life, its cost less residual value and impairment loss is amortised on a straight-line method over its estimated useful life. The respective amortisation periods for such intangible assets are as follows:

	Estimated useful lives
Land use rights	44-50 years
Technology right	10 years
Patent right	10 years

An intangible asset is regarded as having an indefinite useful life and is not amortised when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group and the Company. At the balance sheet date, the Group and the Company don't have any intangible assets with indefinite useful lives.

Expenditures on an internal research and development project are classified into expenditures on the research phase and expenditures on the development phase. Research is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Development is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products or processes before the start of commercial production or use.

Expenditures on research phase are recognised in profit or loss when incurred. Expenditures on development phase are capitalised if development costs can be measured reliably, the product or process is technically and commercially feasible, and the Group and the Company intend to and have sufficient resources to complete development. Capitalised development costs are stated at cost less impairment losses (see Note 3(9)(b)). Other development expenditures are recognised as expenses in the period in which they are incurred.

(8) Financial instruments

Financial instruments comprise cash at bank and on hand, receivables, payables, loans and borrowings, and share capital, etc.

(a) Recognition and measurement of financial assets and financial liabilities

A financial asset or financial liability is recognised in the balance sheet when the Group and the Company become a party to the contractual provisions of a financial instrument.

The Group and the Company classify financial assets and liabilities into different categories at initial recognition based on the purpose of acquiring assets or assuming liabilities: financial assets and financial liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities.

3. **Significant accounting policies and accounting estimates** *(continued)*

(8) Financial instruments *(continued)*

(a) Recognition and measurement of financial assets and financial liabilities *(continued)*

Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any attributable transaction costs are included in their initial costs. Subsequent to initial recognition financial assets and liabilities are measured as follows:

– Financial assets and financial liabilities at fair value through profit or loss (including financial assets or financial liabilities held for trading)

A financial asset or financial liability is classified as at fair value through profit or loss if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is a derivative.

Subsequent to initial recognition, financial assets and financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

– Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent to initial recognition, receivables are subsequently stated at amortised cost using the effective interest method.

– Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group and the Company have the positive intention and ability to hold to maturity.

Subsequent to initial recognition, held-to-maturity investments are stated at amortised cost using the effective interest method.

– Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are designated upon initial recognition as available for sales and other financial assets which do not fall into any of the above categories.

An investment in equity instrument which does not have a quoted market price in an active market and whose fair value cannot be reliably measured is measured at cost subsequent to initial recognition.

Other than investments in equity instruments whose fair value cannot be measured reliably as described above, subsequent to initial recognition, other available-for-sale financial assets are measured at fair value and changes therein, except for impairment losses and foreign exchange gains and losses from monetary financial assets, which are recognised directly in profit or loss, are recognised in equity. When an investment is derecognised, the cumulative gain or loss in equity is removed from equity and recognised in profit or loss.

– Other financial liabilities

Financial liabilities other than the financial liabilities at fair value through profit or loss are classified as other financial liabilities.

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method.

3. Significant accounting policies and accounting estimates *(continued)*

(8) Financial instruments (continued)

(b) Determination of fair values

If there is an active market for a financial asset or financial liability, the quoted price in the active market without adjusting for transaction costs that may be incurred upon future disposal or settlement is used to establish the fair value of the financial asset or financial liability. For a financial asset held or a financial liability to be assumed, the quoted price is the current bid price and, for a financial asset to be acquired or a financial liability assumed, it is the current asking price.

If no active market exists for a financial instrument, a valuation technique is used to establish the fair value. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties; reference to the current fair value of another instrument that is substantially the same and discounted cash flow analysis. The Group and the Company calibrate the valuation technique and test it for validity periodically.

(c) Derecognition of financial assets and financial liabilities

A financial asset is derecognised if the Group's and the Company's contractual rights to the cash flows from the financial asset expire or if the Group and the Company transfer substantially all the risks and rewards of ownership of the financial asset to another party.

Where a transfer of a financial asset in its entirely meets the criteria of the derecognition, the difference between the two amounts below is recognised in profit or loss:

– carrying amount of the financial asset transferred.

– the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised directly in equity.

The Group and the Company derecognise a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged.

(d) Equity instrument

An equity instrument is a contract that proves the ownership interest of the assets after deducting all liabilities in the Group and the Company.

The consideration received from the issuance of equity instruments net of transaction costs is recognised in share capital and capital reserve.

3. **Significant accounting policies and accounting estimates** *(continued)*

(9) Impairment of financial assets and non-financial long-term assets

(a) Impairment of financial assets

The carrying amounts of financial assets (other than those at fair value through profit or loss) are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is provided.

– Receivables

Receivables are assessed for impairment both on an individual basis and on a collective group basis.

Where impairment is assessed on an individual basis, an impairment loss in respect of a receivable is calculated as the excess of its carrying amount over the present value of the estimated future cash flows (exclusive of future credit losses that have not been incurred) discounted at the original effective interest rate. All impairment losses are recognised in profit or loss.

The assessment is made collectively where receivables share similar credit risk characteristics (including those having not been individually assessed as impaired), based on their historical loss experiences, and adjusted by the observable figures reflecting present economic conditions.

If, after an impairment loss has been recognised on receivables, there is objective evidence of a recovery in value of the financial asset which can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss. A reversal of an impairment loss will not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

(b) Impairment of other non-financial long-term assets

The carrying amounts of the following assets are reviewed at each balance sheet date based on the internal and external sources of information to determine whether there is any indication of impairment:

– fixed assets

– construction in progress

– intangible assets

– long-term equity investments in subsidiaries and jointly controlled entities

If any indication exists that an asset may be impaired, the recoverable amount of the asset is estimated. In addition, the Group and the Company estimate the recoverable amounts of goodwill at no later than each year-end, irrespective of whether there is any indication of impairment or not. Goodwill is tested for impairment together with its related asset groups or set of asset groups.

3. Significant accounting policies and accounting estimates *(continued)*

(9) Impairment of financial assets and non-financial long-term assets (continued)

(b) Impairment of other non-financial long-term assets *(continued)*

An asset group is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups. An asset group is composed of assets directly relating to cash-generation. Identification of an asset group is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups. In identifying an asset group, the Group and the Company also consider how management monitors the Group's and the Company's operations and how management makes decisions about continuing or disposing of the Group's and the Company's assets.

The recoverable amount of an asset, asset group or set of asset groups is the higher of its fair value less costs to sell and its present value of expected future cash flows.

An asset's fair value less costs to sell is the amount determined by the price of a sale agreement in an arm's length transaction, less the costs that are directly attributable to the disposal of the asset. The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the result of the recoverable amount calculating indicates the recoverable amount of an asset is less than its carrying amount, the carrying amount of the assets is reduced to its recoverable amount. That reduction is recognised as an impairment loss and charged to profit and loss for the current period. A provision for impairment loss of the asset is recognised accordingly. For impairment losses related to an asset group or a set of asset groups, first reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups, and then reduce the carrying amount of the other assets in the asset group or set of asset groups on a pro rata basis. However, that the carrying amount of an impaired asset will not be reduced below the highest of its individual fair value less costs to sell (if determinable), the present value of expected future cash flows (if determinable) and zero.

Once an impairment loss is recognised, it is not reversed in a subsequent period.

(10) Employee benefits

Employee benefits are all forms of considerations given and other relevant expenditures incurred in exchange for services rendered by employees. Except for termination benefits, employee benefits are recognised as a liability in the period in which the associated services are rendered by employees, with a corresponding increase in cost of relevant assets or expenses in the current period.

(a) Pension benefits

Pursuant to the relevant laws and regulations of the PRC, the Group and the Company have joined a basic pension insurance for the employees arranged by local Labour and Social Security Bureaus. The Group and the Company make contributions to the pension insurance at the applicable rates based on the amounts stipulated by the government organisation. The contributions are charged to profit or loss on an accrual basis. When employees retire, the local Labour and Social Security Bureaus are responsible for the payment of the basic pension benefits to the retired employees. The Group and the Company do not have any other obligations in this respect.

3. Significant accounting policies and accounting estimates *(continued)*

(10) Employee benefits *(continued)*

(b) Housing fund and other social insurance

Besides the pension benefits, pursuant to the relevant laws and regulations of the PRC, the Group and the Company have joined defined social security contributions for employees, such as a housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group and the Company make contributions to the housing fund and other social insurances mentioned above at the applicable rates based on the employees' salaries. The contributions are recognised as cost of assets or charged to profit or loss on an accrual basis.

(c) Termination benefits

When the Group and the Company terminate the employment relationship with employees before the employment contracts have expired, or provide compensation as an offer to encourage employees to accept voluntary redundancy, a provision for the termination benefits provided, is recognised in profit or loss when both of the following conditions have been satisfied:

– The Group and the Company have a formal plan for the termination of employment or have made an offer to employees for voluntary redundancy, which will be implemented shortly;

– The Group and the Company are not allowed to withdraw from termination plan or redundancy offer unilaterally.

(11) Income tax

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable calculated at the applicable tax rate on taxable income for the year, and any adjustment to tax payable in respect of previous years.

At the balance sheet date, current tax assets and liabilities are offset if the taxable entity has a legally enforceable right to set off them and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include the deductible losses and tax credits carrying forward to subsequent periods. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or tax loss). Deferred tax is not recognised for taxable temporary differences arising from the initial recognition of goodwill.

At the balance sheet date, the amount of deferred tax recognised is measured based on the expected manner of recovery or settlement of the carrying amount of the assets and liabilities, using tax rates that are expected to be applied in the period when the asset is recovered or the liability is settled in accordance with tax laws.

3. **Significant accounting policies and accounting estimates** *(continued)*

(11) Income tax *(continued)*

At the balance sheet date, deferred tax assets and liabilities are offset if all the following conditions are met:

– the taxable entity has a legally enforceable right to set off current tax assets against current tax liabilities, and

– they relate to income taxes levied by the same tax authority on either:

  – the same taxable entity; or

  – different taxable entities which either to intend to settle the current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(12) Provisions and contingent liabilities

A provision is recognised for an obligation related to a contingency if the Group and the Company have a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows.

In terms of a possible obligation resulting from a past transaction or event, whose existence will only be confirmed by the occurrence or non-occurrence of uncertain future events or a present obligation resulting from a past transaction or event, where it is not probable that the settlement of the above obligation will cause an outflow of economic benefits, or the amount of the outflow can not be estimated reliably, the possible or present obligation is disclosed as a contingent liability.

(13) Revenue recognition

Revenue is the gross inflow of economic benefit in the periods arising in the course of the Group's and the Company's ordinary activities when the inflows result in increase in shareholder's equity, other than increase relating to contributions from shareholders. Revenue is recognised in profit or loss when it is probable that the economic benefits will flow to the Group and the Company, the revenue and costs can be measured reliably and the following respective conditions are met:

(a) Sale of goods

Revenue from sale of goods is recognised when all of the general conditions stated above and following conditions are satisfied:

– The significant risks and rewards of ownership of goods have been transferred to the buyer;

– The Group and the Company retain neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

Revenue from the sale of goods is measured at the fair value of the considerations received or receivable under the sales contract or agreement.

3. Significant accounting policies and accounting estimates *(continued)*

(13) Revenue recognition *(continued)*

(b) Rendering of services

At the balance sheet date, when the outcome of a transaction involving the rendering of services can be estimated reliably, revenue from the rendering of services is recognised in the income statement by reference to the stage of completion of the transaction based on the progress of work performed.

Where the outcome of rendering of services cannot be estimated reliably, if the costs incurred are expected to be recoverable, revenues are recognised to the extent that the costs incurred that are expected to be recoverable, and an equivalent amount is charged to profit or loss as service cost; if the costs incurred are not expected to be recoverable, the costs incurred are recognised in profit or loss and no service revenue is recognised.

(c) Interest income

Interest income is recognised on a time proportion basis with reference to the principal outstanding and the applicable effective interest rate.

(14) Government grants

Government grants are transfers of monetary assets or non-monetary assets from the government to the Group and the Company at no consideration except for the capital contribution from the government as an investor in the Group and the Company. Special funds such as investment grants allocated by the government, if clearly defined in official documents as part of "capital reserve" are dealt with as capital contributions, and not regarded as government grants.

A government grant is recognised when there is reasonable assurance that the grant will be received and that the Group and the Company will comply with the conditions attaching to the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount that is received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at its fair value.

A government grant related to an asset is recognised initially as deferred income and amortised to profit or loss on a straight-line basis over the useful life of the asset. A grant that compensates the Group and the Company for expenses to be incurred in the subsequent periods is recognised initially as deferred income and recognised in profit or loss in the same periods in which the expenses are recognised. A grant that compensates the Group and the Company for expenses incurred is recognised in profit or loss immediately.

3. Significant accounting policies and accounting estimates *(continued)*

(15) Borrowing costs

Borrowing costs incurred directly attributable to the acquisition, construction of a qualifying asset are capitalised as part of the cost of the asset.

Except for the above, other borrowing costs are recognised as financial expenses in the income statement when incurred.

During the capitalisation period, the amount of interest (including amortisation of any discount or premium on borrowing) to be capitalised in each accounting period is determined as follows:

– Where funds are borrowed specifically for the acquisition, construction of a qualifying asset, the amount of interest to be capitalised is the interest expense calculated using effective interest rates during the period less any interest income earned from depositing the borrowed funds or any investment income on the temporary investment of those funds before being used on the asset.

– Where funds are borrowed generally and used for the acquisition, construction of a qualifying asset, the amount of interest to be capitalised on such borrowings is determined by applying a capitalisation rate to the weighted average of the excess amounts of cumulative expenditures on the asset over the above amounts of specific borrowings. The capitalisation rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

The effective interest rate is determined as the rate that exactly discounts estimated future cash flow through the expected life of the borrowing or, when appropriate, a shorter period to the initial recognised amount of the borrowings.

During the capitalisation period, exchange differences related to the principal and interest on a specific-purpose borrowing denominated in foreign currency are capitalised as part of the cost of the qualifying asset. The exchange differences related to the principal and interest on foreign currency borrowings other than a specific-purpose borrowing are recognised as financial expenses in the period in which they are incurred.

The capitalisation period is the period from the date of commencement of capitalisation of borrowing costs to the date of cessation of capitalisation, excluding any period over which capitalisation is suspended. Capitalisation of borrowing costs commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities of acquisition, construction or production that are necessary to prepare the asset for its intended use or sale are in progress, and ceases when the assets become ready for their intended use or sale. Capitalisation of borrowing costs is suspended when the acquisition, construction activities are interrupted abnormally and the interruption lasts over three months.

(16) Dividends appropriated to investors

Dividends or distributions of profits proposed in the profit appropriation plan which will be authorised and declared after the balance sheet date, are not recognised as a liability at the balance sheet date but disclosed in the notes separately.

3. **Significant accounting policies and accounting estimates** *(continued)*

(17) Related parties

If the Group and the Company have the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control, jointly control, or significant influence from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Company is under common control only from the State and that have no other related party relationships are not regarded as related parties of the Group and the Company. Related parties of the Group and the Company include, but are not limited to:

(a) the Company's parent;

(b) the Company's subsidiaries;

(c) enterprises that are controlled by the Company's parent;

(d) investors that have joint control or exercise significant influence over the Group;

(e) enterprises or individuals if a party has control, joint control or significant influence over both the enterprises or individuals and the Group;

(f) jointly controlled entities of the Group;

(g) principal individual investors of the Group and close family members of such individuals;

(h) key management personnel of the Group and close family members of such individuals;

(i) key management personnel of the Company's parent;

(j) close family members of key management personnel of the Company's parent; and

(k) other enterprises that are controlled, jointly controlled or significantly influenced by principal individual investors, key management personnel of the Group, and close family members of such individuals.

Besides the related parties stated above determined in accordance with the requirements of ASBE (2006), the following enterprises and individuals are considered as (but not restricted to) related parties based on the disclosure requirements of Administrative Procedures on the Information Disclosures of Listed Companies issued by the CSRC:

(l) enterprises, or persons that act in concert, that hold 5% or more of the Company's shares;

(m) individuals and close family members of such individuals who directly or indirectly hold 5% or more of the Company's shares;

(n) enterprises that satisfy any of the aforesaid conditions in (a), (c) and (l) during the past 12 months or will satisfy them within the next 12 months pursuant to a relevant agreement;

(o) individuals who satisfy any of the aforesaid conditions in (h), (i) and (m) during the past 12 months or will satisfy them within the next 12 months pursuant to a relevant agreement; and

(p) enterprises, other than the Company and subsidiaries controlled by the Company, which are controlled directly or indirectly by an individual defined in (h), (i), (m) or (o), or in which such individual assumes the position of a director or senior executive.

3. Significant accounting policies and accounting estimates *(continued)*

(18) Segment reporting

The Group and the Company identify business operating segments based on their judgement of the internal organisational structure, management requirements and internal reporting policy, and reportable segments are determined based on the business operating segment identified. An operating segment is a distinguishable component of the Group and the Company that satisfies all of the following conditions: the component can generate revenue and incur expenses in daily operation; the management of the Group and the Company can assess the operating results of the component periodically to determine the allocation of resource and to assess operating results; and the Group and the Company are able to obtain accounting information regarding the component's financial position, results of operations and cash flows.

Individually significant operating segments will not be aggregated to present the reportable segment information. Two or more individually non-significant operating segments can be aggregated into a single operating segment only if they have similar economic characteristics and need to be similar in the nature of products and services, the nature of production processes, the type or class of customers for their products or services, the methods used to distribute their products or provide their services, and the nature of the regulatory environment.

(19) Significant accounting estimates and judgments

The preparation of financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Notes 22 and 38 contain information about the assumptions and their risk factors relating to termination benefits and fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Impairment of receivables

As described in Note 3(9)(a), receivables that are measured at amortisation cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is provided. Objective evidence of impairment includes observable data that comes to the attention of the Group and the Company about loss events such as a significant decline in the estimated future cash flow of an individual debtor or the portfolio of debtors, and significant changes in the financial condition that have an adverse effect on the debtor. If there is an indication that there has been a change in the factors used to determine the provision for impairment, the impairment loss recognised in prior years is reversed.

(b) Impairment of non-financial long-term assets

As described in Note 3(9)(b), non-financial long-term assets are reviewed at each balance sheet date to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, impairment loss is provided.

The recoverable amount of an asset (asset group) is the greater of its net selling price and its present value of expected future cash flows. Since a market price of the asset (the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably. In assessing present value of expected future cash flows, significant judgements are exercised over the asset (asset group)'s production, selling price, related operating expenses and discounting rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the production, selling price and related operating expenses based on reasonable and supportable assumption.

3. **Significant accounting policies and accounting estimates** *(continued)*

(19) Significant accounting estimates and judgments *(continued)*

(c) Depreciation and amortisation

As described in Note 3(6) and (7) fixed assets and intangible assets are depreciated and amortised using the straight-line method over their estimated useful lives after taking into account residual value. The estimated useful lives are regularly reviewed to determine the depreciation and amortisation costs charged in each reporting period. The useful lives are determined based on historical experiences of similar assets and the estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortisation, the amount of depreciation or amortisation is revised.

(d) Provision for diminution in value of inventories

If the costs of inventories fall below their net realisable values, a provision for diminution in value of inventories is recognised. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs to completion and the estimated expenses and related taxes necessary to make the sale. The Group and the Company base the estimates on all available information, including the current market prices of the finished goods and raw materials, and historical operating costs. If the actual selling prices were to be lower or the costs of completion were to be higher than estimated, the actual provision for diminution in value of inventories could be higher than estimated.

4. **Changes in accounting policies**

(1) Description of and reasons for changes in accounting policies

In accordance with China Accounting Standards Bulletin No. 3, which was newly issued by the MOF in 2009, the Group and the Company changed the following accounting policies in the current accounting period:

– Presentation of the income statement

The Company added the items “Other comprehensive income for the period” and “Total comprehensive income for the period” under “Earnings per share” on the income statement. The net effect after income tax of other income and expense items is presented as “Other comprehensive income for the period”, if these items are not recognised as part of profit or loss according to China Accounting Standards. “Total comprehensive income for the period” presents the subtotal of “Net profit” and “Other comprehensive income for the period”. The Group’s consolidated income statement is presented in the same way, and “Total comprehensive income attributable to shareholders of the Company” is presented separately under “Total comprehensive income for the period”.

For changes to items presented on the income statement, the Group and the Company adjusted the relative items on the comparative income statement. For details please refer to the specific items on the consolidated income statement and the income statement.

– Segment reporting

In accordance with the Group’s internal financial reporting process, business segment information and geographical segment information was chosen as the primary reporting format, but now, the Group and the Company identifies operating segments based on their judgement of the internal organisational structure, management requirements and internal reporting policy. Reportable segments are then determined based on the operating segments identified (see Note 3(18)).

For changes to the presentation of reportable segment information, the Group presented the operating segment information for the first time according to the reportable segments identified in this period, and adjusted the relative comparative information in the prior period (see Note 37).

(2) Effect of changes in accounting policies on the current period

The changes of accounting policies have no effect on the consolidated income statement and income statement of the current period, and have no effect on the consolidated balance sheet and balance sheet as at 30 June 2009.

5. Taxation

(1) The taxes applicable to the Group's and the Company's sale of goods and rendering of services include business tax, value-added tax ("VAT"), city maintenance and construction tax, education surcharge and land use tax.

Business tax rate:	3% or 5%
VAT rate:	17%
City maintenance and construction tax rate:	7%
Education surcharge fee rate:	4%
Land use tax rate:	RMB4 per square meter

(2) Income tax

The State Administration of Taxation issued a tax circular "Enterprise Income Tax Issues relating to Nine Companies Listed Overseas" in June 2007 which requested the relevant local tax authorities to rectify, immediately, the expired concessionary tax policy for the nine listed companies authorised by the State Council to issue shares in Hong Kong in 1993 which, at the time of writing, was still being applied. The notice stated that the difference in enterprise income tax ("**EIT**") arising from the expired preferential rate and the applicable rate should be settled according to the provisions of "Law on the Administration of Tax Collection".

The Company is one of the nine listed companies mentioned above and applied the preferential EIT rate of 15% in prior years. The Company communicated with the relevant tax authorities to assess the situation and was informed that the EIT rate for the Company would be adjusted from the original 15% to 33% from 2007. Up till now, the Company has not been requested to pay additional EIT in respect of any prior year. The directors of the Company consider that the relevant tax authorities are not likely to request additional EIT from the Company. Consequently, no provision has been made in this interim financial report in respect of the EIT differences arising from prior years.

Pursuant to the PRC enterprise income tax law passed by 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 were effective from 1 January 2008. The EIT rate applicable to the Group changed from 33% in 2007 to 25% in 2008. The charge for PRC income tax for the period is calculated at the rate of 25% (2008: 25%) on the estimated assessable income of the period determined in accordance with relevant tax rules and regulations.

The Group and the Company did not carry on business overseas and therefore does not incur overseas income taxes.

(3) Taxes payable

	The Group		**The Company**	
	At 30 June 2009 ***RMB'000***	At 31 December 2008 *RMB'000*	**At 30 June 2009** ***RMB'000***	At 31 December 2008 *RMB'000*
Education surcharge payable	**1,769**	4,192	**1,757**	4,192
Land use tax payable	**–**	4,618	**–**	4,618
Others	**4,066**	9,169	**2,843**	9,169
Total	**5,835**	17,979	**4,600**	17,979

6. Business combinations and the consolidated financial statements

(1) At 30 June 2009, the consolidated financial statements include the following subsidiary:

Subsidiary acquired through combination under non-common control:

Name	Organisation code	Registration place	Business nature	Registered capital	Closing amount of the company's investment	Interests that in substance form part of the company's net investment	Percentage of equity held directly by the Company	Percentage of voting rights held directly and indirectly by the Company
				USD'000	*RMB'000*	*RMB'000*	*RMB'000*	
Yihua Jingwei Chemical Fibre Company Limited	77644167-1	Yangzhou, Jiangsu Province, PRC	Manufacturing processing and sale of polyester products	60,000	303,361	87,328	100%	100%

(2) Business combination involving entities not under common control during the six months ended 30 June 2009:

On 18 February 2009, the Company entered into a conditional Equity Interest Transfer Agreement with UNIFI Asia Holding SRL ("UNIFI Asia") to acquire UNIFI Asia's 50% equity interest in Yihua UNIFI Fibre Industry Company Limited ("Yihua UNIFI") at a consideration of USD 9,000,000 (RMB equivalent 61,525,000), subject to Chinese regulatory approval and certain customary closing conditions. The regulatory approval and customary closing conditions were completed on 2 March 2009. The Company acquired the power of control over Yihua UNIFI.

Yihua UNIFI was established in Yizheng City, Jiangsu Province on 28 July 2005, and is principally engaged in manufacturing, processing, researching and developing, sale and providing services after sales of differentiated polyester textile filament products. Before the combination, Yihua UNIFI was the Company's jointly controlled entity, the Company and the other party UNIFI Asia each held 50% of Yihua UNIFI's equity shares. After the acquisition, the Board of Directors of Yihua UNIFI resolved to change the entity's name to Yihua Jingwei Chemical Fibre Company Limited ("Yihua Jingwei").

Yihua Jingwei's financial information from the date of acquisition to 30 June 2009 is as follows:

	RMB'000
Revenue	262,649
Net loss	40,748
Net cash outflow	31,150

6. **Business combinations and the consolidated financial statements** *(continued)*

(2) Business combination involving entities not under common control during the six months ended 30 June 2009 *(continued)****:***

Details of identifiable assets and liabilities are as follows:

	Fair value	Carrying amount	
	Acquisition date	Acquisition date	31 December 2008
	RMB'000	*RMB'000*	*RMB'000*
Current assets	141,342	141,342	85,697
Non-current assets	331,416	288,815	294,931
Current liabilities	(349,708)	(349,708)	(306,412)
Net identifiable assets	123,050	80,449	74,216
Net identifiable assets acquired for 50% equity interest	61,525		

For the above identifiable assets which have an active market, the quoted prices in the active market are used to establish their fair value; if there is no active market, their fair value is estimated based on the market price of the same or similar types of assets which have an active market; if there is no active market for even the same asset or similar types of assets, valuation techniques will be used to determine the fair value.

For the above identifiable liability, the payable amount or the present value of the payable amount is its fair value.

7. Cash at bank and on hand

	At 30 June 2009			At 31 December 2008		
	Original currency	**Exchange rate**	**RMB/ RMB equivalents**	Original currency	Exchange rate	RMB/ RMB equivalents
	'000		***'000***	*'000*		*'000*
The Group						
Cash on hand						
– Renminbi			**19**			21
Cash at bank						
– Renminbi			**1,391,797**			1,055,385
– US Dollars	**3,718**	**6.832**	**25,401**	251	6.835	1,716
Cash at bank and on hand			**1,417,217**			1,057,122
Deposits with related companies						
– Renminbi			**237,403**			146,633
Total			**1,654,620**			1,203,755
The Company						
Cash on hand						
– Renminbi			**19**			21
Cash at bank						
– Renminbi			**1,383,905**			1,055,385
– US Dollars	**3,125**	**6.832**	**21,350**	251	6.835	1,716
Cash at bank and on hand			**1,405,274**			1,057,122
Deposits with related companies						
– Renminbi			**237,385**			146,633
Total			**1,642,659**			1,203,755

As at 30 June 2009, no deposits of the Group and the Company was pledged. (31 December 2008: RMB 297,461,000).

The deposits with related companies represent deposits with China CITIC Bank and Sinopec Finance Company Limited ("Sinopec Finance"). Deposit interest is calculated at market rate.

8. Bills receivable

	The Group		The Company	
	At 30 June 2009 RMB'000	At 31 December 2008 *RMB'000*	**At 30 June 2009 RMB'000**	At 31 December 2008 *RMB'000*
Bank acceptance bills	**809,500**	1,179,716	**804,026**	1,179,716
Commercial acceptance bills	**–**	110,852	**–**	110,852
Total	**809,500**	1,290,568	**804,026**	1,290,568

All of the above bills are due within six months.

At 30 June 2009, the Group's outstanding discounted bank acceptance bills (with recourse) amounted to RMB 14,590,000 (31 December 2008: RMB 18,738,000). The Group's outstanding endorsed bank acceptance bills (with recourse) amounted to RMB 157,622,000 (31 December 2008: RMB 283,280,000). These discounted or endorsed bills are due by 31 December 2009 (31 December 2008: due by 30 June 2009) and were not included in the above bank acceptance bills balances.

At 30 June 2009, the Company's outstanding discounted bank acceptance bills (with recourse) amounted to RMB 14,590,000 (31 December 2008: RMB 18,738,000). The Company's outstanding endorsed bank acceptance bills (with recourse) amounted to RMB 152,960,000 (31 December 2008: RMB 283,280,000). These discounted or endorsed bills are due by 31 December 2009 (31 December 2008: due by 30 June 2009) and were not included in the above bank acceptance bills balances.

As at 30 June 2009 and 31 December 2008, the above bills were not pledged.

Included in the above balances, there were no bills receivable due from shareholders who hold 5% or more of the voting shares of the Company.

9. Accounts receivable

(1) Accounts receivable by customer type:

	The Group		The Company	
	At 30 June 2009 RMB'000	At 31 December 2008 *RMB'000*	**At 30 June 2009 RMB'000**	At 31 December 2008 *RMB'000*
Amount due from subsidiary	**–**	–	**291,332**	–
Amounts due from other related parties	**3,489**	99,447	**3,489**	99,447
Amounts due from other customers	**160,486**	91,766	**157,258**	91,766
Subtotal	**163,975**	191,213	**452,079**	191,213
Less: Provision for bad and doubtful debts	**1,144**	835	**1,144**	835
Total	**162,831**	190,378	**450,935**	190,378

9. **Accounts receivable** *(continued)*

(1) Accounts receivable by customer type *(continued)****:***

The Group's accounts receivable due from related parties amounted to RMB 3,489,000 (31 December 2008: RMB 99,447,000), 2.13% (31 December 2008: 52.01%) of the total accounts receivable.

The Company's accounts receivable due from related parties amounted to RMB 294,821,000 (31 December 2008: RMB 99,447,000), 65.21% (31 December 2008: 52.01%) of the total accounts receivable.

Except for the balances disclosed in Note 40, no amount due from shareholders who hold 5% or more of the voting rights of the Company is included in the above balance of accounts receivable.

(2) The ageing analysis of accounts receivable is as follows:

	The Group		**The Company**	
	At 30 June 2009	At 31 December 2008	**At 30 June 2009**	At 31 December 2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 year (inclusive)	**162,831**	189,772	**450,935**	189,772
1 and 2 years (inclusive)	**–**	97	**–**	97
2 and 3 years (inclusive)	**–**	1,344	**–**	1,344
Over 3 years	**1,144**	–	**1,144**	–
Subtotal	**163,975**	191,213	**452,079**	191,213
Less: Provision for bad and doubtful debts	**1,144**	835	**1,144**	835
Total	**162,831**	190,378	**450,935**	190,378

The ageing is counted starting from the date accounts receivable are recognised.

Details of movement of provision for bad and doubtful debts of the Group and the Company are set out in Note 19.

9. Accounts receivable *(continued)*

(3) An analysis of provision for bad and doubtful debts is as follows:

The Group

	As at 30 June 2009				As at 31 December 2008			
	Amount	**Percentage of total accounts receivable**	**Bad debts provision**	**Rate of provision**	Amount	Percentage of total accounts receivable	Bad debts provision	Rate of provision
	RMB'000	**%**	***RMB'000***	**%**	*RMB'000*	%	*RMB'000*	%
Other immaterial items	**163,975**	**100.00**	**1,144**	**0.70**	191,213	100.00	835	0.44

The Company

	As at 30 June 2009				As at 31 December 2008			
	Amount	**Percentage of total accounts receivable**	**Bad debts provision**	**Rate of provision**	Amount	Percentage of total accounts receivable	Bad debts provision	Rate of provision
	RMB'000	**%**	***RMB'000***	**%**	*RMB'000*	%	*RMB'000*	%
Other immaterial items	**452,079**	**100.00**	**1,144**	**0.25**	191,213	100.00	835	0.44

During the six months ended 30 June 2009, the Group and the Company had no individually significant accounts receivable been fully or substantially provided for. The Group and the Company had no individually significant recovery of bad debts which were fully or substantially provided for in prior years. As at 30 June 2009, the Group and the Company had no individually significant accounts receivable due over 3 years.

10. Prepayments

(1) Prepayments by category:

	The Group		**The Company**	
	At 30 June 2009	At 31 December 2008	**At 30 June 2009**	At 31 December 2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Prepayments to related parties	**8,700**	19,640	**8,680**	19,640
Prepayments to others	**9,399**	4,170	**9,215**	4,170
Subtotal	**18,099**	23,810	**17,895**	23,810
Less: Provision for bad and doubtful debts	**30**	162	**30**	162
Total	**18,069**	23,648	**17,865**	23,648

The Group's prepayments to related parties amounted to RMB 8,700,000 (31 December 2008: RMB 19,640,000), 48.07% of the total prepayments (31 December 2008: 82.49%).

10. **Prepayments** *(continued)*

(1) ***Prepayments by category*** *(continued)***:**

The Company's prepayments to related parties amounted to RMB 8,680,000 (31 December 2008: RMB 19,640,000), 48.51% of the total prepayments (31 December 2008: 82.49%).

Except for the balances disclosed in Note 40, no amount prepaid to shareholders who hold 5% or more of the voting rights of the Company is included in the above balance of prepayments.

(2) The ageing analysis of prepayments is as follows:

	The Group		The Company	
	At 30 June 2009	At 31 December 2008	**At 30 June 2009**	At 31 December 2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 year (inclusive)	**18,069**	23,480	**17,865**	23,480
1 and 2 years (inclusive)	**–**	300	**–**	300
2 and 3 years (inclusive)	**–**	–	**–**	–
Over 3 years	**30**	30	**30**	30
Subtotal	**18,099**	23,810	**17,895**	23,810
Less: Provision for bad and doubtful debts	**30**	162	**30**	162
Total	**18,069**	23,648	**17,865**	23,648

The ageing is counted starting from the date prepayments are recognised.

Details of movement of provision for bad and doubtful debts of the Group and the Company are set out in Note 19.

At 30 June 2009, an analysis of the Group's individual prepayments that are 30% or more of the total amount is as follows:

Entity's name	**Reasons for prepayment**	**Amount**	**Percentage of total prepayments**
		RMB'000	
Sinopec Chemicals Sales Branch	Purchases of raw materials	8,680	47.96%

At 30 June 2009, an analysis of the Company's individual prepayments that are 30% or more of the total amount is as follows:

Entity's name	**Reasons for prepayment**	**Amount**	**Percentage of total prepayments**
		RMB'000	
Sinopec Chemicals Sales Branch	Purchases of raw materials	8,680	48.51%

11. Other receivables

(1) *Other receivables by customer type:*

	The Group		The Company	
	At 30 June 2009	At 31 December 2008	**At 30 June 2009**	At 31 December 2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Amounts due from related parties	**10,871**	10,612	**10,871**	10,612
Amounts due from other customers	**71,222**	100,149	**70,159**	100,149
Subtotal	**82,093**	110,761	**81,030**	110,761
Less: Provision for bad and doubtful debts	**3,532**	2,822	**3,532**	2,822
Total	**78,561**	107,939	**77,498**	107,939

The Group's and the Company's other receivables due from related parties amounted to RMB10,871,000 (31 December 2008: RMB10,612,000), 13.24% and 13.42% respectively of the total other receivables (31 December 2008: 9.58% and 9.58%).

Except for the balances disclosed in Note 40, no amount due from shareholders who hold 5% or more of the voting rights of the Company is included in the above balance of other receivables.

(2) *The ageing analysis of other receivables is as follows:*

	The Group		The Company	
	At 30 June 2009	At 31 December 2008	**At 30 June 2009**	At 31 December 2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 year (inclusive)	**73,878**	103,139	**72,815**	103,139
1 and 2 years (inclusive)	**3,747**	3,159	**3,747**	3,159
2 and 3 years (inclusive)	**2,203**	2,447	**2,203**	2,447
Over 3 years	**2,265**	2,016	**2,265**	2,016
Subtotal	**82,093**	110,761	**81,030**	110,761
Less: Provision for bad and doubtful debts	**3,532**	2,822	**3,532**	2,822
Total	**78,561**	107,939	**77,498**	107,939

The ageing is counted starting from the date other receivables are recognised.

Details of movement of provision for bad and doubtful debts of the Group and the Company are set out in Note 19.

11. Other receivables *(continued)*

(3) An analysis of provision for bad or doubtful debts for other receivables is as follows:

The Group

	As at 30 June 2009				As at 31 December 2008			
	Amount	**Percentage of total accounts receivable**	**Bad debts provision**	**Rate of provision**	Amount	Percentage of total accounts receivable	Bad debts provision	Rate of provision
	RMB'000	***%***	***RMB'000***	***%***	*RMB'000*	*%*	*RMB'000*	*%*
Other immaterial items	**82,093**	**100.00**	**3,532**	**4.30**	110,761	100.00	2,822	2.55

The Company

	As at 30 June 2009				As at 31 December 2008			
	Amount	**Percentage of total accounts receivable**	**Bad debts provision**	**Rate of provision**	Amount	Percentage of total accounts receivable	Bad debts provision	Rate of provision
	RMB'000	***%***	***RMB'000***	***%***	*RMB'000*	*%*	*RMB'000*	*%*
Other immaterial items	**81,030**	**100.00**	**3,532**	**4.36**	110,761	100.00	2,822	2.55

During the six months ended 30 June 2009, the Group and the Company had no individually significant other receivables been fully or substantially provided for. The Group and the Company had no individually significant recovery of bad debts which were fully or substantially provided for in prior years. As at 30 June 2009, the Group and the Company had no individually significant other receivables due over 3 years.

12. Inventories

(1) An analysis of inventories is as follows:

	The Group		**The Company**	
	At 30 June 2009	At 31 December 2008	**At 30 June 2009**	At 31 December 2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Raw materials	**742,118**	490,795	**737,966**	490,795
Work in progress	**83,058**	53,048	**79,561**	53,048
Finished goods	**318,484**	215,224	**272,322**	215,224
Spare parts and consumables	**146,129**	128,629	**134,911**	128,629
Subtotal	**1,289,789**	887,696	**1,224,760**	887,696
Less: Provision for diminution in value of inventories	**37,742**	56,243	**17,850**	56,243
Total	**1,252,047**	831,453	**1,206,910**	831,453

All the above inventories are purchased or self-manufactured.

12. Inventories *(continued)*

(1) An analysis of inventories is as follows** (continued)**:

As at 30 June 2009 and 31 December 2008, no borrowing costs of the Group and the Company were capitalised in the closing balance of inventories.

As at 30 June 2009 and 31 December 2008, the above inventories were not pledged or guaranteed.

(2) An analysis of provision for diminution in value of inventories is as follows:

	At 31 December 2008	**Charge for the period**	**Sold/ disposal in the period**	**At 30 June 2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Group				
Raw materials	2,991	1,895	(2,991)	1,895
Working in progress	–	581	–	581
Finished goods	35,402	8,495	(35,402)	8,495
Spare parts and consumables	17,850	8,921	–	26,771
Total	56,243	19,892	(38,393)	37,742

	At 31 December 2008	**Charge for the period**	**Sold/ disposal in the period**	**At 30 June 2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Company				
Raw materials	2,991	–	(2,991)	–
Finished goods	35,402	–	(35,402)	–
Spare parts and consumables	17,850	–	–	17,850
Total	56,243	–	(38,393)	17,850

(3) During the six months ended 30 June 2009, the Group recognised the cost of inventories as costs and expenses amounting to RMB 5,378,699,000 (2008: RMB 8,311,016,000).

During the six months ended 30 June 2009, the Company recognised the cost of inventories as costs and expenses amounting to RMB 5,279,270,000 (2008: RMB 8,311,016,000).

13. Other current assets

	The Group		**The Company**	
	At 30 June 2009	At 31 December 2008	**At 30 June 2009**	At 31 December 2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Prepaid VAT	**188,770**	191,698	**188,770**	191,698
Prepaid city maintenance and construction tax	**1,187**	3,547	**1,187**	3,547
Total	**189,957**	195,245	**189,957**	195,245

14. Long-term equity investments

	The Group		The Company	
	At 30 June 2009	At 31 December 2008	**At 30 June 2009**	At 31 December 2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Investment in subsidiary	**–**	–	**87,328**	–
Investment in jointly controlled entity	**–**	25,803	**–**	25,803
Total	**–**	25,803	**87,328**	25,803

(1) As at 30 June 2009, the Company's investment in a subsidiary and the Group's and the Company's investment in a jointly controlled entity are as follows:

(a) *Investment in a subsidiary*

	Yihua Jingwei
	RMB'000
Initial investment cost	87,328
Movement of the investment	
Carrying amount at the beginning of the period	–
Add:	
– transferred from investment in a joint venture	25,803
– cost of business combination	61,525
Carrying amount at the end of the period	87,328

(b) *Investment in a joint venture*

	Yihua Jingwei
	RMB'000
Initial investment cost	241,836
Movement of the investment	
Carrying amount at the beginning of the period	25,803
Less:	
– transferred to investment in a subsidiary	(25,803)
Carrying amount at the end of the period	–

As disclosed in Note 6, the Company acquired 50% share of Yihua Jingwei from UNIFI Asia during this period. As a result, the Company's equity interest in Yihua Jingwei increased from 50% to 100%. Yihua Jingwei was changed from a jointly controlled entity of the Company to a wholly owned subsidiary.

For detailed information about Yihua Jingwei, please refer to Note 6.

The Group and the Company had no unrecognised investment losses for the period and for the prior years.

15. Fixed assets

	The Group			
	Plant and buildings	Machinery and equipment	Motor vehicles and other fixed assets	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
Balance at the beginning of the period	1,945,519	9,681,917	733,805	12,361,241
Additions through acquisition of subsidiary	153,789	384,887	13,114	551,790
Additions	–	1,068	175	1,243
Transfer from construction in progress *(Note 16)*	13,200	85,402	450	99,052
Disposals	(7,571)	(163,662)	(19,931)	(191,164)
Balance at the end of the period	**2,104,937**	**9,989,612**	**727,613**	**12,822,162**
Less: Accumulated depreciation				
Balance at the beginning of the period	891,156	6,580,905	569,041	8,041,102
Additions through acquisition of subsidiary	17,309	86,314	7,415	111,038
Charge for the period	34,074	200,078	18,008	252,160
Written back on disposals	(75)	(77,683)	(19,629)	(97,387)
Balance at the end of the period	**942,464**	**6,789,614**	**574,835**	**8,306,913**
Less: Provision for impairment				
Balance at the beginning of the period	740	443,584	5,106	449,430
Additions through acquisition of subsidiary	6,543	124,237	1,555	132,335
Charge for the period	–	4,390	–	4,390
Written back on disposals	(78)	(67,379)	(73)	(67,530)
Balance at the end of the period	**7,205**	**504,832**	**6,588**	**518,625**
Carrying amounts:				
At the end of the period	**1,155,268**	**2,695,166**	**146,190**	**3,996,624**
At the beginning of the period	1,053,623	2,657,428	159,658	3,870,709

15. Fixed assets *(continued)*

	The Company			
	Plant and buildings	**Machinery and equipment**	**Motor vehicles and other fixed assets**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
Balance at the beginning of the period	1,945,519	9,681,917	733,805	12,361,241
Additions	–	1,068	175	1,243
Transfer from construction in progress *(Note 16)*	13,200	84,931	421	98,552
Disposals	(163)	(149,769)	(19,931)	(169,863)
Balance at the end of the period	**1,958,556**	**9,618,147**	**714,470**	**12,291,173**
Less: Accumulated depreciation				
Balance at the beginning of the period	891,156	6,580,905	569,041	8,041,102
Charge for the period	31,825	191,230	17,522	240,577
Written back on disposals	(75)	(77,683)	(19,629)	(97,387)
Balance at the end of the period	**922,906**	**6,694,452**	**566,934**	**8,184,292**
Less: Provision for impairment				
Balance at the beginning of the period	740	443,584	5,106	449,430
Charge for the period	–	4,390	–	4,390
Written back on disposals	(78)	(67,379)	(73)	(67,530)
Balance at the end of the period	**662**	**380,595**	**5,033**	**386,290**
Carrying amounts:				
At the end of the period	**1,034,988**	**2,543,100**	**142,503**	**3,720,591**
At the beginning of the period	1,053,623	2,657,428	159,658	3,870,709

(1) During this period, the impairment losses recognised in respect of idle fixed assets of the Group and the Company were RMB4,390,000. The carrying amount of these assets was written down to their recoverable amount. The estimate of recoverable amounts was based on fixed assets' fair values less costs to sell, determined by reference to the information about the sales of similar assets within the same industry. As at 30 June 2009, the carrying amount of idle fixed assets of the Group and the Company was RMB 2,138,000.

(2) As at 30 June 2009 and 31 December 2008, the above fixed assets were not pledged or guaranteed.

(3) As at 30 June 2009 and 31 December 2008, there were no significant fixed assets to be disposed of.

16. Construction in progress

	As at 30 June 2009 The Group RMB'000	The Company RMB'000
Cost		
Balance at the beginning of the period	272,012	272,012
Additions through acquisition	1,699	–
Additions during the period	56,373	55,996
Transfer to fixed assets (Note 15)	(99,052)	(98,552)
Balance at the end of the period	**231,032**	**229,456**

As at 30 June 2009 and 31 December 2008, no borrowing costs of the Group and the Company were capitalised in the closing balance of construction in progress.

As at 30 June 2009, the Group's and the Company's major construction in progress were set out as follows:

Project	Budget RMB'000	Balance as at 1 January 2009 RMB'000	Additions RMB'000	Transfer to fixed assets RMB'000	Balance as at 30 June 2009 RMB'000	Percentage of input to budget %	Sources of funds
100 tonne/year aramid fiber project	62,506	54,000	456	–	**54,456**	87%	Own fund
300 tonne/year high performance polyethylene project	101,650	80,000	8,500	(88,500)	**-**	–	Own fund
Thermoelectricity manufacturing center desulfurize project	115,285	30,000	7,924	–	**37,924**	33%	Own fund
Natural gas improvement project	45,366	30,000	68	–	**30,068**	66%	Own fund
Improvements of existing plants and equipment	223,285	78,012	39,048	(10,052)	**107,008**	48%	Own fund
Total for the Company		272,012	55,996	(98,552)	**229,456**		
Miscellaneous projects of the subsidiary		1,699	377	(500)	**1,576**		Own fund
Total for the Group		273,711	56,373	(99,052)	**231,032**		

17. Intangible assets

	The Group and the Company			
	Land use right	Technology right	Patent right	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost or valuation				
Balance at the beginning and the end of the period	406,123	208,893	142,435	757,451
Less: Accumulated amortisation				
Balance at the beginning of the period	100,456	112,713	138,508	351,677
Charge for the period	4,240	10,445	67	14,752
Balance at the end of the period	**104,696**	**123,158**	**138,575**	**366,429**
Carrying amounts				
At the end of the period	**301,427**	**85,735**	**3,860**	**391,022**
At the beginning of the period	305,667	96,180	3,927	405,774

As at 30 June 2009 and 31 December 2008, no borrowing costs of the Group and the Company were capitalised in the carrying amounts of intangible assets at the end of the period or the year.

As at 30 June 2009 and 31 December 2008, the above intangible assets were not pledged or guaranteed.

The Group and the Company obtained land use right through purchase from third parties and contribution from investors. The average remaining amortisation period is 36 years.

The Company acquired technology right to operate the 450,000-tonne PTA plant from third parties in 2004, and the average remaining amortisation period is 4 years.

The Company acquired patent right from third parties in 2005 and the average remaining amortisation period is 6 years.

18. Deferred tax assets

Unrecognised deferred assets

In accordance with the accounting policy set out in Note 3(11), the Group has not recognised deferred tax assets in respect of deductible temporary differences amounting to RMB 670,817,000 (31 December 2008: RMB 626,526,000) and cumulative unutilised tax losses amounting to RMB 1,340,779,000 (31 December 2008: RMB 1,321,531,000), as it is not probable that future taxable profits against which the temporary differences can be deducted and the losses can be utilised will be available in the relevant tax jurisdiction.

In accordance with the accounting policy set out in Note 3(11), the Company has not recognised deferred tax assets in respect of deductible temporary differences amounting to RMB 518,591,000 (31 December 2008: RMB 626,526,000) and cumulative unutilised tax losses amounting to RMB 1,084,623,000(31 December 2008: RMB 1,321,531,000), as it is not probable that future taxable profits against which the temporary differences can be deducted and the losses can be utilised will be available in the relevant tax jurisdiction.

Under current tax legislation, the above deductible tax losses will expire in the following years:

	The Group	**The Company**
	RMB'000	*RMB'000*
2010	458,083	435,121
2011	72,947	–
2012	49,012	–
2013	725,661	649,502
2014	35,076	–
Total	1,340,779	1,084,623

19. Provisions for impairment

As at 30 June 2009, the provisions for impairment losses of the Group are set out as follows:

Item	Note	**Balance at the beginning of the period**	**Increase during the period: Addition through acquisition**	**Increase during the period: Charge for the period**	**Decrease during the period: Reversal**	**Decrease during the period: Sold/ disposal**	**Write off**	**Balance at the end of the period**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Provisions for bad and doubtful debts								
– Accounts receivable	9	835	–	597	–	–	(288)	**1,144**
– Prepayments	10	162	–	–	(132)	–	–	**30**
– Other receivables	11	2,822	–	710	–	–	–	**3,532**
Provisions for diminution in value of inventories	12	56,243	–	19,892	–	(38,393)	–	**37,742**
Provisions for impairment of fixed assets	15	449,430	132,335	4,390	–	–	(67,530)	**518,625**
Total		509,492	132,335	25,589	(132)	(38,393)	(67,818)	**561,073**

19. Provisions for impairment *(continued)*

As at 30 June 2009, the provisions for impairment losses of the Company are set out as follows:

Item	Notes	Balance at the beginning of the period	Increase during the period Charge for the period	Decrease during the period Reversal	Sold/disposal	Write off	Balance at the end of the period
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	**RMB'000**
Provisions for bad and doubtful debts							
– Accounts receivable	*9*	835	597	–	–	(288)	**1,144**
– Prepayments	*10*	162	–	(132)	–	–	**30**
– Other receivables	*11*	2,822	710	–	–	–	**3,532**
Provisions for diminution in value of inventories	*12*	56,243	–	–	(38,393)	–	**17,850**
Provisions for impairment of fixed assets	*15*	449,430	4,390	–	–	(67,530)	**386,290**
Total		509,492	5,697	(132)	(38,393)	(67,818)	**408,846**

20. Bills payable

	The Group and the Company	
	At 30 June 2009	At 31 December 2008
	RMB'000	*RMB'000*
Bank acceptance bills	**320,000**	115,000

The above bills are due within one year.

No amount due to shareholders who hold 5% or more of the voting rights of the company is included in the above balances of bills payable.

21. Accounts payable, advances from customers and other payables

As at 30 June 2009, there were no individually significant balances aged over one year included in the Group's and the Company's accounts payable, advances from customers and other payables.

Except for the balances disclosed in Note 40, no amount due to shareholders who hold 5% or more of the voting rights of the Company is included in the balances of accounts payable, advances from customers and other payables.

22. Employee benefits payable

	The Group				
	Balance at the beginning of the period	Addition through acquisition	Accrued during the period	Paid during the period	Balance at the end of the period
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Salaries, bonuses and allowances	57,733	1,826	224,903	(169,656)	**114,806**
Staff welfare fees	114	–	11,132	(11,246)	**–**
Social insurances					
– Basic pension insurance premium	–	1	33,389	(33,390)	**–**
– Basic medical insurance premium	–	–	13,927	(13,927)	**–**
– Unemployment insurance premium	–	–	3,312	(3,312)	**–**
– Work injury insurance premium	440	–	1,058	(1,361)	**137**
– Supplementary pension insurance premium	–	–	2,939	(2,939)	**–**
– Supplementary medical insurance premium	–	–	5,052	(5,052)	**–**
Housing fund	1,715	–	21,109	(22,824)	**–**
Labour union fee, staff and workers' education fee	615	498	7,297	(6,207)	**2,203**
Termination benefits	–	–	1,022	(1,022)	**–**
Short-term workers' service charge	–	–	15,217	(15,217)	**–**
Subsidies for retired employees	728	–	12,564	(12,252)	**1,040**
Total	61,345	2,325	352,921	(298,405)	**118,186**

	The Company			
	Balance at the beginning of the period	Accrued during the period	Paid during the period	Balance at the end of the period
	RMB'000	*RMB'000*	*RMB'000*	***RMB'000***
Salaries, bonuses and allowances	57,733	210,141	(158,414)	**109,460**
Staff welfare fees	114	10,271	(10,385)	**–**
Social insurances				
– Basic pension insurance premium	–	30,950	(30,950)	**–**
– Basic medical insurance premium	–	12,960	(12,960)	**–**
– Unemployment insurance premium	–	3,069	(3,069)	**–**
– Work injury insurance premium	440	980	(1,284)	**136**
– Supplementary pension insurance premium	–	2,763	(2,763)	**–**
– Supplementary medical insurance premium	–	4,537	(4,537)	**–**
Housing fund	1,715	19,589	(21,304)	**–**
Labour union fee, staff and workers' education fee	615	6,897	(5,310)	**2,202**
Termination benefits	–	1,022	(1,022)	**–**
Short-term workers' service charge	–	10,403	(10,403)	**–**
Subsidies for retired employees	728	12,527	(12,215)	**1,040**
Total	61,345	326,109	(274,616)	**112,838**

22. Employee benefits payable *(continued)*

As stipulated by the regulations of the PRC, the Group and the Company participates in basic defined contribution retirement schemes organised by its municipal governments under which it is governed. Details of the schemes of the Group and the Company are as follows:

Administrator	**Beneficiary**	**Contribution rate 2009 and 2008**
Yizheng Municipal Government, Jiangsu Province	Employees of the Group and the Company	20%

All employees are entitled to retirement benefits equal to a fixed proportion of their salaries and benefits in kind prevailing at their normal retirement ages.

In addition to the above, pursuant to a document "Lao Bu Fa [1995] No. 464" dated 29 December 1995 issued by the Ministry of Labour of the PRC, the Group and the Company has set up a supplementary defined contribution retirement scheme for its employees. Assets of the scheme are held separately from those of the Group and the Company in an independent fund administered by representatives from the Group and the Company. The scheme is funded by contributions from the Group and the Company which are calculated at a rate based on the basic salaries of its employees. The contribution rate for 2009 was 9% (2008: 9%).

The Group and the Company contribute at the above rate based on the basic salaries, bonuses and allowances. The Group and the Company have no other material obligation for the payment of retirement benefits associated with this scheme beyond the annual contributions described above.

During this period, in accordance with the Group and the Company's employee reduction plan, the Group and the Company incurred RMB 1,022,000 (2008: RMB 8,727,000) on the reduction of 16 (2008: 99) employees, which were mainly included in "General and administrative expenses".

23. Provisions

	The Group and the Company	
	At 30 June 2009	At 31 December 2008
	RMB'000	*RMB'000*
Compensation payable on breach of contracts	**5,198**	5,198

24. Deferred income

As of 30 June 2009, the Group and the Company have received the government grants totalling RMB 20,000,000 (31 December 2008: RMB 15,000,000) for the 300 tonne/year high performance polyethylene project and improvements project of stove desulphrization of thermoelectricity centre. The grant was recognised initially as deferred income and will be amortised to profit or loss on a straight-line basis over the useful life of the related assets when they are ready for intended use. As the 300 tonne/year high performance polyethylene project is ready for its intended use in this period, the related government grant was amortised to profit or loss on a straight-line basis over its useful life.

25. Share capital

	The Group and the Company	
	At 30 June 2009	At 31 December 2008
	RMB'000	*RMB'000*
Registered, issued and paid up capital:		
2,400,000,000 "Domestic non-public legal person A" shares of RMB1.00 each	**2,400,000**	2,400,000
200,000,000 "Social public A" shares of RMB 1.00 each	**200,000**	200,000
1,400,000,000 "H" shares of RMB1.00 each	**1,400,000**	1,400,000
Total	**4,000,000**	4,000,000

KPMG Huazhen has verified the above paid-in capital. The capital verification reports were issued on 20 July 1994, 28 March 1995 and 15 May 1995 respectively.

26. Capital reserve

	The Group and the Company Balance at the beginning and at the end of the period
	RMB'000
Share premium	3,078,825
Other capital reserve	28,339
Total	3,107,164

27. Surplus reserve

	The Group and the Company		
	Statutory surplus reserve	**Discretionary surplus reserve**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2009	861,457	594,547	1,456,004
Make good of losses	(861,457)	(594,547)	(1,456,004)
As at 30 June 2009	–	–	–

Pursuant to the resolution by the shareholders on 5 June 2009, the Group and the Company used the statutory surplus reserve and discretionary surplus reserve amounting to RMB 1,456,004,000 to make good of previous years' losses. Thereafter, the balance of surplus reserve was nil.

28. Operating income

	The Group For the six months ended 30 June		The Company For the six months ended 30 June	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Operating income from principal activities	**6,074,497**	8,497,883	**5,998,098**	8,497,883
Other operating income	**61,078**	50,726	**55,530**	50,726
Total	**6,135,575**	8,548,609	**6,053,628**	8,548,609

The Group's and the Company's income from principal activities represent income earned in relation to sales of chemical fibre and chemical fibre raw materials.

During the six months ended 30 June 2009, the Group's sales to the top five customers amounted to RMB 847,009,000 (2008: RMB 1,236,214,000), which accounted for 13.80% (2008: 14.46%) of the total operating income of the Group.

During the six months ended 30 June 2009, the Company's sales to the top five customers amounted to RMB 847,009,000 (2008: RMB 1,236,214,000), which accounted for 13.99% (2008: 14.46%) of the total operating income of the Company.

29. Business taxes and surcharges

		The Group For the six months ended 30 June		The Company For the six months ended 30 June	
		2009	2008	**2009**	2008
		RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	Taxation basis and rates				
Business tax	3% or 5% of taxable income	**151**	50	**151**	50
City maintenance and construction tax	7% VAT and business tax paid	**10,293**	3,937	**10,293**	3,937
Education fee surcharge	4% VAT and business tax paid	**5,960**	2,250	**5,881**	2,250
Total		**16,404**	6,237	**16,325**	6,237

30. Net financial income

	The Group For the six months ended 30 June		The Company For the six months ended 30 June	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Interest expenses from loans and discounting bills	**3,448**	1,719	**1,168**	1,719
Less: Borrowing costs capitalised	**–**	–	**–**	–
Net interest expenses	**3,448**	1,719	**1,168**	1,719
Interest income from deposits and receivables	**(8,303)**	(10,145)	**(8,016)**	(9,851)
Net exchange gains	**(4,743)**	(14,173)	**(4,682)**	(14,173)
Other financial expenses	**716**	827	**549**	786
Total	**(8,882)**	(21,772)	**(10,981)**	(21,519)

31. Impairment loss

Items of assets	The Group For the six months ended 30 June		The Company For the six months ended 30 June	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Provision for/(reversal of) bad and doubtful debts of accounts receivable	**597**	(904)	**597**	(904)
(Reversal of)/provision for bad and doubtful debts of prepayments	**(132)**	724	**(132)**	724
Provision for/(reversal of) bad and doubtful debts of other receivables	**710**	(3,375)	**710**	(3,375)
Provisions for diminution in value of inventories	**19,892**	5,624	**–**	5,624
Provisions for fixed assets impairment	**4,390**	–	**4,390**	–
Total	**25,457**	2,069	**5,565**	2,069

32. Investment (losses)/income

	The Group For the six months ended 30 June		The Company For the six months ended 30 June	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Long-term equity investments – accounted for under the equity method	**–**	(76,263)	**–**	(76,263)
Gain on disposal of a subsidiary	**–**	–	**–**	158,668
Total	**–**	(76,263)	**–**	82,405

There were no severe restriction on the subsidiary's ability to transfer investment income to the Group and the Company.

33. Non-operating income

	The Group For the six months ended 30 June		The Company For the six months ended 30 June	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Gains on disposal of fixed assets	**9,458**	1,279	**9,458**	1,279
Gains on disposal of intangible assets	**–**	248	**–**	248
Total gains on disposal of non-current assets	**9,458**	1,527	**9,458**	1,527
Others	**305**	644	**300**	151
Total	**9,763**	2,171	**9,758**	1,678

34. Non-operating expenses

	The Group For the six months ended 30 June		The Company For the six months ended 30 June	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Losses on disposal of fixed assets	**568**	–	**568**	–
Flood prevention fees	**–**	3,856	**–**	3,856
Others	**3,392**	4,297	**3,289**	4,256
Total	**3,960**	8,153	**3,857**	8,112

35. Income tax expenses

(1) Income tax expenses for the period represent:

	The Group For the six months ended 30 June		The Company For the six months ended 30 June	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Over-provision of income tax in respect of prior years	**–**	(296)	**–**	–
Deferred taxation	**–**	47,459	**–**	47,459
Total	**–**	47,163	**–**	47,459

(2) Reconciliation between income tax expenses and accounting profit/(loss) is as follows:

	The Group For the six months ended 30 June		The Company For the six months ended 30 June	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Profit/(loss) before income tax	**307,978**	(216,586)	**344,075**	(58,494)
Tax rate	**25%**	25%	**25%**	25%
Expected income tax expenses	**76,995**	(54,147)	**86,019**	(14,624)
Write-off of deferred tax assets in respect of prior years	**–**	74,596	**–**	74,596
Tax effect of unused tax losses not recognised	**(77,206)**	7,944	**(86,211)**	8,088
Tax effect of non-deductable expenses	**211**	19,066	**192**	19,066
Tax effect of non-taxable income	**–**	–	**–**	(39,667)
Over-provision of income tax in respect of prior years	**–**	(296)	**–**	–
Income tax expenses	**–**	47,163	**–**	47,459

36. Supplement to cash flow statement

(1) Supplement to the Group's and the Company's cash flow statements

(a) Reconciliation of net profit/(loss) to cash inflow/(outflow) from operating activities:

	The Group For the six months ended 30 June		The Company For the six months ended 30 June	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Net profit/(loss)	**307,978**	(263,749)	**344,075**	(105,953)
Add: Impairment loss	**25,457**	2,069	**5,565**	2,069
Depreciation of fixed assets	**252,160**	300,721	**240,577**	300,694
Amortisation of intangible assets	**14,752**	15,278	**14,752**	15,278
Amortisation of deferred revenue	**(238)**	–	**(238)**	–
Net gain on disposal of fixed assets and intangible assets	**(8,890)**	(1,527)	**(8,890)**	(1,527)
Financial income	**(4,855)**	(8,426)	**(6,848)**	(8,132)
Losses/(income) arising from investments	**–**	76,263	**–**	(82,405)
Decrease in deferred tax assets	**–**	47,670	**–**	47,670
Decrease in deferred tax liabilities	**–**	(211)	**–**	(211)
Increase in gross inventories	**(366,898)**	(97,321)	**(375,457)**	(97,321)
Decrease/ (increase) in operating receivables	**821,158**	(263,291)	**528,233**	(191,256)
(Decrease)/increase in operating payables	**(222,885)**	5,737	**104,369**	(93,775)
Net cash inflow/(outflow) from operating activities	**817,739**	(186,787)	**846,138**	(214,869)

36. Supplement to cash flow statement *(continued)*

(1) Supplement to the Group's and the Company's cash flow statements *(continued)*

(b) Changes in cash and cash equivalents:

	The Group For the six months ended 30 June		The Company For the six months ended 30 June	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash at bank and on hand at the end of the period	**1,654,620**	1,601,636	**1,642,659**	1,601,636
Less: Pledged deposit	**–**	848,318	**–**	848,318
Cash and cash equivalents at the end of the period	**1,654,620**	753,318	**1,642,659**	753,318
Less: Cash and cash equivalents at the beginning of the period	**906,294**	1,034,747	**906,294**	946,953
Net increase/(decrease) in cash and cash equivalents	**748,326**	(281,429)	**736,365**	(193,635)

(2) Cash and cash equivalents held by the Group and the Company are as follows:

	The Group		The Company	
	At 30 June 2009	At 30 June 2008	**At 30 June 2009**	At 30 June 2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash				
– Cash on hand	**19**	17	**19**	17
– Bank deposits available on demand	**1,654,601**	753,301	**1,642,640**	753,301
Closing balance of cash and cash equivalents available on demand	**1,654,620**	753,318	**1,642,659**	753,318

36. Supplement to cash flow statement *(continued)*

(3) Information on acquisition of subsidiary during current period:

	The Group	**The Company**
	RMB'000	*RMB'000*
Consideration of acquisition	61,525	61,525
Cash and cash equivalents paid for acquiring subsidiary	61,525	61,525
Less: cash and cash equivalents held by the subsidiary	43,111	–
Net cash paid for the acquisition	18,414	61,525
Non-cash assets and liabilities held by the acquired subsidiary		
Current assets		98,231
Non-current assets		310,116
Current liabilities		(349,708)

37. Segment reporting

The Group has identified five reportable segments based on their judgement of the internal organisational structure, management requirements and internal reporting policy. The five reportable segments are: polyester chips, bottle-grade polyester chips, staple fibre and hollow fibre, filament and purified terephthalic acid ("PTA"). All segments manufacture and sell chemical fibre products and raw materials, and are primarily operate in the PRC. The management of the Group review the financial information of all reportable segments periodically to determine the allocation of resources and to assess the operating results.

(1) Segment results and assets

The segment information disclosed in the interim financial report has been prepared in a manner consistent with the information used by the Group's most senior executive management for the purposes of assessing segment performance and allocating resources between segments. In this regard, the Group's senior executive management monitors the results and assets attributable to each reportable segment on the following basis:

Segment assets represent property, plant and equipment and inventories.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. However, other than reporting inter-segment sales, assistance provided by one segment to another, including sharing of assets, is not measured.

The measure used for reportable segment profit is "gross profit".

37. Segment reporting *(continued)*

(1) Segment results and assets (continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below:

	Polyester chips		Bottle-grade polyester chips		Staple fibre and hollow fibre		Filament		PTA		All others #		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
For the six months ended:														
Revenue from external customers	**1,975,206**	2,909,935	**1,418,692**	2,025,068	**1,861,045**	2,485,971	**726,178**	921,684	**-**	23,870	**154,454**	182,081	**6,135,575**	8,548,609
Inter-segment revenue	**59,884**	–	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**59,884**	–
Reportable segment revenue	**2,035,090**	2,909,935	**1,418,692**	2,025,068	**1,861,045**	2,485,971	**726,178**	921,684	**-**	23,870	**154,454**	182,081	**6,195,459**	8,548,609
Profit/(loss) from external customers	**292,653**	109,264	**137,018**	78,785	**297,744**	107,345	**43,648**	(31,667)	**-**	385	**5,705**	(20,895)	**776,768**	243,217
Inter-segment profit	**7,785**	–	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**7,785**	–
Reportable segment profit/(loss)	**300,438**	109,264	**137,018**	78,785	**297,744**	107,345	**43,648**	(31,667)	**-**	385	**5,705**	(20,895)	**784,553**	243,217
Depreciation and amortisation	**32,749**	51,811	**22,314**	22,405	**20,571**	24,578	**20,325**	38,428	**115,122**	117,697	**41,902**	33,720	**252,983**	288,639
Write-down of inventories	**-**	–	**-**	–	**-**	–	**19,892**	–	**-**	–	**-**	–	**19,892**	–
As at 30 June 2009 and 31 December 2008:														
Reportable segment assets	**640,717**	508,328	**423,469**	438,850	**403,668**	425,890	**437,947**	333,372	**1,313,557**	1,329,415	**398,583**	422,611	**3,617,941**	3,458,466

Revenues of comparatively less importance in terms of quantity are mainly from two operating segments of the Group, a dynamic manufacturing centre and a thermoelectricity manufacturing centre. None of these segments meets the quantitative threshold for determining reportable segments of the Group.

37. Segment reporting *(continued)*

(2) Reconciliations of reportable segment revenues, profit or loss and assets

	For the six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Revenue		
Revenue for reportable segments excluding other revenue	**6,041,005**	8,366,528
Other revenue	**154,454**	182,081
Elimination of inter-segment revenue	**(59,884)**	–
Consolidated turnover	**6,135,575**	8,548,609
Profit/(loss)		
Profit for reportable segments excluding other profit/(loss)	**778,848**	264,112
Other profit/(loss)	**5,705**	(20,895)
Elimination of inter-segment profit	**(7,785)**	–
	776,768	243,217
Business taxes and surcharges	**(16,404)**	(6,237)
Selling and distribution expenses	**(98,185)**	(98,261)
General and administrative expenses	**(343,429)**	(292,763)
Net financial income	**8,882**	21,772
Impairment loss	**(25,457)**	(2,069)
Investment losses from investment in jointly controlled entity	**–**	(76,263)
Non-operating income	**9,763**	2,171
Non-operating expenses	**(3,960)**	(8,153)
Consolidated profit/(loss) before taxation	**307,978**	(216,586)

37. Segment reporting *(continued)*

(2) Reconciliations of reportable segment revenues, profit or loss and assets *(continued)*

	At 30 June 2009 *RMB'000*	At 31 December 2008 *RMB'000*
Assets		
Assets for reportable segments excluding other assets	**3,219,358**	3,035,855
Other assets	**398,583**	422,611
Unallocated assets	**1,632,311**	1,243,696
Elimination of inter-segment purchases	**(1,581)**	–
	5,248,671	4,702,162
Other non-current assets	**622,054**	677,786
Long-term equity investments	**–**	25,803
Trade and other receivables	**1,258,918**	1,807,778
Cash at bank and on hand	**1,654,620**	1,203,755
Consolidated total assets	**8,784,263**	8,417,284

38. Risk analysis, sensitivity analysis, and determination of fair values for financial instruments

Overview

Financial assets of the Group and the Company include cash at bank and on hand, accounts receivable, bills receivable, prepayments and other receivables. Financial liabilities of the Group and the Company include loans, bills payable, accounts payable, advances from customers and other payables. The Group and the Company have no derivative instruments that are designated and qualified as hedging instruments at 30 June 2009 and 31 December 2008.

The Group and the Company have exposure to the following risks from the use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

The Board of Directors has overall responsibility for the establishment, oversight of the Group's and the Company's risk management framework, and developing and monitoring the Group's risk management policies.

The Group's and the Company's risk management policies are established to identify and analyse the risks faced by the Group and the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's and the Company's activities. The Group and the Company, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

38. **Risk analysis, sensitivity analysis, and determination of fair values for financial instruments** *(continued)*

(1) Credit risk

Credit risk is the risk of financial loss to the Group and the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's and the Company's deposits with banks and other financial institutions and receivables from customers. To limit exposure to credit risk relating to deposits, the Group and the Company primarily place cash deposits only with large financial institutions in the PRC with acceptable credit rating. The majority of the Group's and the Company's trade and other receivables relate to sales of chemical fibre products to related parties and third parties operating in the consumer products industries. The Group and the Company perform ongoing credit evaluations of their customers' financial condition and generally do not require collateral on trade debtors. Impairment provision for doubtful debts is made by the Group and the Company and actual losses have been within management's expectations. No single customer accounted for greater than 10% of total revenues.

The carrying amounts of cash at bank and on hand, time deposits with banks and other financial institutions, accounts receivable, bills receivables and other receivables represent the Group's and the Company's maximum exposure to credit risk in relation to financial assets.

The ageing analysis of debtors that are past due but not impaired on individual and collective assessment is set out as follows:

Ageing	**The Group and the Company**	
	At 30 June 2009	At 31 December 2008
	RMB'000	*RMB'000*
Past due within 1 year (inclusive)	**–**	97
Past due 1 to 2 years	**–**	509

The Group's and the Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry, country or area in which the customers operate and therefore significant concentrations of credit risk arise primarily when the Group and the Company have significant exposure to individual customers. At 30 June 2009, the Group and the Company had a certain concentration of credit risk, as 64.81% (31 December 2008: 61.03%) of the total accounts receivable were due from the five largest customers of the Group and the Company.

No other financial assets of the Group and the Company carry a significant exposure to credit risk.

38. Risk analysis, sensitivity analysis, and determination of fair values for financial instruments *(continued)*

(2) Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as they fall due. The Group's and the Company's approach to managing liquidity is to ensure, as far as possible, that they will always have sufficient liquidity to meet their liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's and the Company's reputation. The Group and the Company prepare monthly cash flow budget to ensure that they will always have sufficient liquidity to meet its financial obligation as they fall due. The Group and the Company arrange and negotiate financing with financial institutions and maintain a certain level of standby credit facilities to reduce the liquidity risk.

Accounts payable and other payables are normally expected to be settled within one year after receipt of goods or services.

(3) Market risk

The changes in the market price, e.g. the changes in the foreign exchange rate and the interest rate, form the market risk. Management aims to manage and control the market risk in the range of the variables, and optimises the return of the risk.

(a) Interest rate risk

Except for time deposits with banks with fixed interest rates, the Group and the Company have no other significant interest-bearing assets and liabilities. The Group's and the Company's income and operating cash flows are substantially independent of changes in market interest rates.

The following table details the interest rate profile of the Group's and the Company's interest-bearing financial instruments at the balance sheet date:

	The Group		**The Company**	
	At 30 June 2009	At 31 December 2008	**At 30 June 2009**	At 31 December 2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Fixed rate instruments				
– Time deposits	**983,000**	362,461	**983,000**	362,461
Variable rate instruments				
– Bank deposits available on demand	**671,601**	841,273	**659,640**	841,273

At 30 June 2009, it is estimated that a general increase/decrease of 100 basis points in variable interest rates, with all other variables held constant, would increase/decrease the Group's and the Company's shareholders' equity by approximately RMB 6,716,000 and RMB 6,596,000 respectively (2008: RMB 8,413,000 and RMB 8,413,000), and net profit by approximately RMB 6,716,000 and RMB 6,596,000 respectively (2008: decrease/increase the net losses by approximately RMB 8,413,000 and RMB 8,413,000) (the related income tax impact was not considered). This sensitivity analysis has been determined assuming that the change in interest rates had occurred at the balance sheet date and that the change was applied to the Group's and the Company's variable rate instruments outstanding at that date with exposure to cash flow interest rate risk. The analysis is performed on the same basis for 2008.

38. Risk analysis, sensitivity analysis, and determination of fair values for financial instruments *(continued)*

(3) Market risk *(continued)*

(b) Currency risk

Currency risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured. The Group's and the Company's currency risk exposure primarily relates to cash at bank and on hand, accounts receivable and accounts payable denominated in United States Dollars ("US$").

The Group and the Company have no hedging policy on foreign currency balances, and principally reduce the currency risk by monitoring the level of foreign currency.

The following table details the Group's and the Company's exposure at the balance sheet date to currency risk relating principally to their cash at bank and on hand, accounts receivable and accounts payable denominated in US$:

	The Group		**The Company**	
	At 30 June 2009	At 31 December 2008	**At 30 June 2009**	At 31 December 2008
	US$'000	*US$'000*	***US$'000***	*US$'000*
Cash at bank and on hand	**3,718**	251	**3,125**	251
Accounts receivable	**18,475**	7,559	**18,039**	7,559
Accounts payable	**(84,387)**	(58,285)	**(84,387)**	(58,285)
	(62,194)	(50,475)	**(63,223)**	(50,475)

Other than the amounts as disclosed above, the amounts of other financial assets and liabilities of the Group and the Company are measured or settled in renminbi.

Assuming all other risk variables remained constant and the related income tax impact was not considered, a 5% strengthening of renminbi against the US$ at 30 June 2009 would have increased the shareholders' equity and net profit (or decrease net loss) for the period of the Group and the Company by the amounts shown below, whose effect is in renminbi and translated using the spot rate at the balance sheet date.

	The Group		**The Company**	
	At 30 June 2009	At 31 December 2008	**At 30 June 2009**	At 31 December 2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
US$	**21,245**	17,248	**21,597**	17,248

A 5% weakening of the renminbi against the US$ at 30 June would have had the equal but opposite effect on them to the amounts shown above, on the basis that all other variables remained constant and the related income tax impact was not considered.

This analysis above assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group and the Company which expose the Group and the Company to currency risk at the balance sheet date. The analysis is performed on the same basis for 2008.

38. Risk analysis, sensitivity analysis, and determination of fair values for financial instruments *(continued)*

(4) Capital management

In order to maintain or adjust the capital structure, the Group and the Company may issue new shares, adjust the capital expenditure plan, sell assets to reduce liabilities or adjust the proportion of short-term and long-term loans. The Group and the Company monitor capital on the basis of debt-to-equity ratio, which is calculated by dividing long-term loans by the total equity attributable to shareholders of the Company and long-term loans, and liability-to-asset ratio, which is calculated by dividing total liabilities by total assets. The Group's and the Company's strategy is to make appropriate adjustments according to the operating and investment needs and the changes of market conditions, and to maintain the debt-to-equity ratio and the liability-to-asset ratio at a range considered as reasonable by management.

There were no changes in the Group's and the Company's approach to capital management during the period. Neither the Company nor its subsidiary is subject to externally imposed capital requirements.

(5) Fair value

As at 30 June 2009 and 31 December 2008, the fair values of the Group's and the Company's financial assets and liabilities are not materially different from their carrying amounts.

39. Capital commitments

As at 30 June 2009 and 31 December 2008, capital commitments of the Group and the Company are summarised as follows:

	At 30 June 2009		At 31 December 2008	
	Book value	**Fair value**	Book value	Fair value
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Contracted for	**46,129**	**46,129**	–	–
Authorised but not contracted for	**194,796**	**194,796**	137,418	137,418
Total	**240,925**	**240,925**	137,418	137,418

40. Related parties and related party transactions

(1) Information on the parent of the Company is listed as follows:

Name of company:	China Petroleum & Chemical Corporation
Registered address:	No. 6 Hui Xin Dong Jie Jia, Chao Yang Qu, Beijing
Principal activities:	Exploring for, extracting and selling crude oil and natural gas; oil refining; production, sale and transport of petro-chemical, chemical fibres and other chemical products; pipe transport of crude oil and natural gas; research, development and application of new technologies and information
Relationship with the Company:	The immediate holding company
Types of legal entity:	Joint stock limited company
Legal representative:	Su Shu-lin
Registered capital:	RMB 86.7 billion (2008: RMB 86.7 billion)
Percentage of equity interest:	42%
Percentage of voting interest:	42%

There was no change in the above registered capital during the period.

(2) For the information about the subsidiary of the Company, refer to Note 6.

(3) Transactions with key management personnel:

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Company, directly or indirectly, including directors and supervisors of the Group and the Company. The key management personnel compensations are as follows:

	The Group and the Company For the six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Remuneration of key management personnel	**1,438**	1,223
Retirement scheme contributions	**74**	82

40. Related parties and related party transactions *(continued)*

(4) Transactions with related parties other than key management personnel:

(a) Relationships with related parties without immediate controlling relationships

Name of company	Relationship with the Company
CPC	Ultimate holding company
CITIC	Shareholder
Sinopec Asset and Management Corp	With a common ultimate holding company
Sinopec Finance	With a common ultimate holding company
China CITIC Bank	Subsidiary of CITIC

(b) Transaction amounts with related parties:

	The Group For the six months ended 30 June	
	2009 Amounts *RMB'000*	2008 Amounts *RMB'000*
Sinopec Corp and its subsidiaries		
Purchase of raw materials	**2,923,530**	4,226,140
Service charges for the purchase of raw materials	**6,353**	16,678
Sinopec Finance		
Interest income	**455**	654
Interest expenses	**–**	1,719
CPC and its subsidiaries (excluding Sinopec Corp and its subsidiaries and Sinopec Finance)		
Sales	**95,039**	116,255
Miscellaneous service fee charges	**6,000**	6,000
Design service fee	**9,000**	–
Insurance premium	**2,115**	3,490
China CITIC Bank		
Interest income	**658**	358
Interest expenses	**4**	–
Yihua Jingwei		
Sales of finished goods	**90,348**	382,606

40. Related parties and related party transactions *(continued)*

(4) Transactions with related parties other than key management personnel: (continued)

(b) Transaction amounts with related parties: (continued)

	The Company For the six months ended 30 June	
	2009	2008
	Amounts	Amounts
	RMB'000	*RMB'000*
Sinopec Corp and its subsidiaries		
Purchase of raw materials	**2,923,530**	4,226,140
Service charges for the purchase of raw materials	**6,353**	16,678
Sinopec Finance		
Interest income	**455**	654
Interest expenses	**–**	1,719
CPC and its subsidiaries (excluding Sinopec Corp and its subsidiaries and Sinopec Finance)		
Sales	**92,182**	116,255
Miscellaneous service fee charges	**6,000**	6,000
Design service fee	**9,000**	–
Insurance premium	**2,115**	3,490
China CITIC Bank		
Interest income	**657**	272
Yihua Jingwei		
Sales of finished goods	**271,226**	382,606

The directors of the Company are of the opinion that the above transactions were carried out in the normal course of business and on normal commercial term.

40. Related parties and related party transactions *(continued)*

(4) Transactions with related parties other than key management personnel: *(continued)*

(c) The balances of transactions with related parties:

Details of amounts due from/(to) CPC and its subsidiaries are as follows:

	The Group		The Company	
	At 30 June 2009	At 31 December 2008	**At 30 June 2009**	At 31 December 2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Accounts receivable	**3,489**	11,221	**3,489**	11,221
Prepayments	**8,700**	19,640	**8,680**	19,640
Other receivables	**10,871**	10,612	**10,871**	10,612
Accounts payable	**(105,978)**	(443,106)	**(105,978)**	(443,106)
Other payables	**(24,397)**	(13,925)	**(24,397)**	(13,925)
Advances from customers	**(6,213)**	(6,679)	**(6,213)**	(6,679)
	(113,528)	(422,237)	**(113,548)**	(422,237)

Details of amounts due from/(to) Yihua Jingwei are as follows:

	The Group		The Company	
	At 30 June 2009	At 31 December 2008	**At 30 June 2009**	At 31 December 2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Accounts receivable	**–**	88,226	**291,332**	88,226
Bills receivable	**–**	110,852	**–**	110,852
Other receivables	**–**	–	**–**	–
Advances from customers	**–**	(4,804)	**(14,600)**	(4,804)
Other payables	**–**	(6,354)	**(7,850)**	(6,354)
	–	187,920	**268,882**	187,920

41. Extraordinary gain and loss

In accordance with Interpretive Pronouncement on the Preparation of Information Disclosures of Companies Issuing Public Shares, No. 1 – Extraordinary Gain and Loss (2008), extraordinary gain and loss of the Group is listed as follows:

	For the six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Extraordinary gain and loss for the period:		
Disposal of fixed assets and intangible assets	**(8,890)**	(1,527)
Employee reduction expenses	**1,022**	8,727
Other non-operating expenses excluding losses on disposal of fixed assets	**3,392**	8,153
Other non-operating income excluding gains on disposal of fixed assets and intangible assets	**(305)**	(644)
Sub-total	**(4,781)**	14,709
Less: Effect on taxation *(Note (a))*	**–**	(3,677)
Total	**(4,781)**	11,032
Attributable to:		
Shareholders of the Company	**(4,781)**	11,032

Note (a):

The Group had no taxable income after making good of previous years' accumulated taxable losses during the current period, and no deferred tax assets was recognised in respect of the current tax losses in previous periods. Therefore, the above extraordinary gain and loss items have no effect on taxation.

42. Earnings per share and return on net assets

In accordance with "Regulation on the Preparation of Information Disclosures by Companies Issuing Public Shares, No. 9 – Calculation and Disclosure of the Return on Net Assets and Earnings Per Share" (2007 Revised) issued by the CSRC, the Group's return on net assets and earnings per share are summarised as follows:

(1) The Group's earnings/(loss) per share

	For the six months ended 30 June	
	2009	2008
(a) Earnings/(loss) per share inclusive of extraordinary gain and loss (in RMB)	**0.077**	(0.066)
– Profit/(loss) attributable to the Company's ordinary equity shareholders (RMB'000)	**307,978**	(263,749)
– Weighted average number of the Company's ordinary shares	**4,000,000,000**	4,000,000,000
(b) Earnings/(loss) per share net of extraordinary gain and loss (in RMB)	**0.076**	(0.063)
– Profit/(loss) deducted extraordinary gain and loss attributable to the Company's ordinary equity shareholders (RMB'000)	**303,197**	(252,717)
– Weighted average number of the Company's ordinary shares	**4,000,000,000**	4,000,000,000

During the six months ended 30 June 2009, there were no dilutive potential ordinary shares in existence.

42. Earnings per share and return on net assets *(continued)*

(2) Return on net assets of the Group

	For the six months ended 30 June			
	2009		2008	
	Fully diluted	**Weighted average**	Fully diluted	Weighted average
(a) Return on net assets inclusive of extraordinary gain and loss	**4.418%**	**4.518%**	(3.278%)	(3.226%)
– Net profit/(loss) attributable to the Company's ordinary equity shareholders (RMB'000)	**307,978**	**307,978**	(263,749)	(263,749)
– Period/year-end equity attributable to the Company's ordinary equity shareholders (RMB'000)	**6,971,370**	**6,971,370**	8,044,928	8,044,928
– Weighted average of equity attributable to the Company's ordinary equity shareholders (RMB'000)	**6,817,381**	**6,817,381**	8,176,803	8,176,803
(b) Return on net assets net of extraordinary gain and loss	**4.349%**	**4.447%**	(3.141%)	(3.091%)
– Net profit/(loss) deducted extraordinary gain and loss attributable to the Company's ordinary equity shareholders (RMB'000)	**303,197**	**303,197**	(252,717)	(252,717)
– Period/year-end equity attributable to the Company's ordinary equity shareholders (RMB'000)	**6,971,370**	**6,971,370**	8,044,928	8,044,928
– Weighted average of equity attributable to the Company's ordinary equity shareholders (RMB'000)	**6,817,381**	**6,817,381**	8,176,803	8,176,803

Supplementary information to the financial statements

1. Reconciliation statement of differences in the financial statements prepared under different GAAPs:

(1) The effect of the significant difference between ASBE (2006) and International Financial Reporting Standards ("IFRSs") on net profit/(loss) attributable to shareholders of the Company is analysed as follows:

	Note	**The Group For the six months ended 30 June 2009 RMB'000**	2008 RMB'000
Net profit/(loss) attributable to shareholders of the Company under ASBE (2006)		**307,978**	(263,749)
Adjustments:			
Reversal of amortisation of revaluation surplus of land use rights	*(a)*	**2,619**	2,651
Effects of the above adjustments on taxation		**(655)**	(663)
Total		**1,964**	1,988
Net profit/(loss) attributable to equity shareholders of the Company under IFRSs		**309,942**	(261,761)

(2) The effect of the significant difference between ASBE (2006) and IFRSs on equity attributable to shareholders of the Company is analysed as follows:

	Note	**The Group As at 30 June 2009 RMB'000**	As at 31 December 2008 RMB'000
Total equity attributable to shareholders of the Company under ASBE (2006)		**6,971,370**	6,663,392
Adjustments:			
Revaluation surplus of land use rights	*(a)*	**(179,861)**	(182,480)
Effects of the above adjustments on taxation		**44,965**	45,620
Total		**(134,896)**	(136,860)
Total equity attributable to equity shareholders of the Company under IFRSs		**6,836,474**	6,526,532

Note:

(a) Under ASBE (2006), land use rights contributed by investors are stated at revalued amount, based on which amortisation and net book value are calculated. Under IFRSs, land use rights are carried at historical cost less accumulated amortisation and impairment losses.

9. COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICE AND THE MODEL CODE

The Directors of the Company are not aware of any information that would reasonably indicate that the Company has not complied with the Code on Corporate Governance Practices as set out by the HKSE in Appendix 14 to the Listing Rules during the reporting period.

The Company has adopted the Model Code as contained in Appendix 10 to the Listing Rules. After having specifically inquired from all the Directors, Supervisors and Senior Management, the Company confirms that its Directors, Supervisors and Senior Management have fully complied with the standards as set out in the Model Code.

10. DOCUMENTS FOR INSPECTION

The following documents will be available for inspection at the legal address of the Company from 25 August 2009 (Tuesday) upon requests from related supervisory institutes and shareholders in accordance with the Articles of Association of the Company and the relevant regulations:

1. The original copy of the interim report for the six months ended 30 June 2009 signed by the Chairman and the General Manager of the Company;

2. The financial report of the Company for the six months ended 30 June 2009 signed by the Legal Representative, General Manager, Chief Financial Officer and the person in charge of the accounts;

3. The Articles of Association of the Company;

4. The original manuscripts of all the documents and announcements disclosed by the Company in the newspapers designated by CSRC during the report period.

* *This interim report has been drafted in both English and Chinese. In the event that different interpretation occurs, with the exception of the interim financial report prepared in accordance with IAS 34, the Chinese version will prevail.*