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 2011

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. Lu Li-yong, Chairman, Mr. Xiao Wei-zhen, Vice Chairman and 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 2011. 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. Lu Li-yong
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	:	Board Secretary Office Sinopec Yizheng Chemical Fibre Company Limited
6.	Places of listing, names and codes of the stock:		
	H share		
	Place of listing	:	HKSE
	Stock name	:	Yizheng Chemical
	Stock code	:	1033
	A share		
	Place of listing	:	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	
	2011	2010
	RMB'000	*RMB'000*
Turnover	**10,332,587**	7,596,517
Profit before taxation	**775,258**	239,113
Income tax expense	**189,961**	(190,428)
Profit attributable to equity shareholders of the Company	**585,297**	429,541
Basic and diluted earnings per share	**RMB0.146**	RMB0.107

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

(Consolidated and unaudited)

	As at 30 June 2011 ***RMB'000***	As at 31 December 2010 *RMB'000*	Increase/ (decrease) from last year *(%)*
Total assets	**11,303,036**	10,531,202	7.3
Total equity attributable to equity shareholders of the Company	**8,777,634**	8,312,337	5.6
Net assets per share attributable to equity shareholders of the Company	**RMB2.194**	RMB2.078	5.6

	For the six months ended 30 June 2011 ***RMB'000***	For the six months ended 30 June 2010 *RMB'000*	Increase/ (decrease) from corresponding period of last year *(%)*
Operating profit	**719,379**	229,313	213.7
Profit before income tax	**774,719**	239,113	224.0
Net profit attributable to equity shareholders of the Company	**584,758**	429,541	36.1
Net profit deducted extraordinary gain and loss attributable to equity shareholders of the Company	**531,654**	420,150	26.5

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

(Consolidated and unaudited)

	For the six months ended 30 June 2011 *RMB'000*	For the six months ended 30 June 2010 *RMB'000*	Increase/ (decrease) from corresponding period of last year *(%)*
Basic earnings per share	**RMB0.146**	RMB0.107	36.1
Diluted earnings per share	**RMB0.146**	RMB0.107	36.1
Basic earnings per share net of extraordinary gain and loss	**RMB0.133**	RMB0.105	26.5
Weighted average return on net assets	**6.84%**	5.92%	Increased by 0.92 percentage points
Net cash outflow from operating activities	**(389,437)**	(447,019)	(12.9)
Net cash outflow from operating activities per share	**RMB(0.097)**	RMB(0.112)	(12.9)

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)

(Consolidated and unaudited)

Extraordinary gain and loss	**Amount** *(RMB'000)*
Gains on disposal of fixed assets and intangible assets	24,229
Government grants recognized in profit or loss during the current period	580
Employee reduction expenses	(93)
Gain on changes in fair value of investments held for trading	(310)
Investments income from purchase and disposal of financial assets	6,557
Other non-operating income and expenses excluding the aforesaid items	30,531
Effect of income tax*	(8,390)
Total	53,104

* *YCFC Jingwei Chemical Fibre Co., LTD ("**YCFC Jingwei**") suffered loss before tax during the year and did not recognise deferred tax assets, and the income of national bonds are tax-free, therefore the above extraordinary gain and loss items relating to YCFC Jingwei and the proceeds from sale of national bonds did not result in tax effect.*

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

(Consolidated and unaudited)

	Net profit attributable to equity shareholders of the Company		Total equity attributable to equity shareholders of the Company	
	For the six months ended 30 June 2011 *RMB'000*	For the six months ended 30 June 2010 *RMB'000*	**As at 30 June 2011** *RMB'000*	As at 1 January 2011 *RMB'000*
PRC ASBE	**584,758**	429,541	**8,777,634**	8,312,337
IFRSs	**585,297**	429,541	**8,738,004**	8,272,707

Explanations for difference: Please refer to the section on "Supplementary information to the financial statements prepared in accordance with the PRC ASBE" of this interim report.

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

(Consolidated and unaudited)

Item	**At 30 June 2011** *RMB'000*	At 31 December 2010 *RMB'000*	**Variance** %	**Reason for Variance**
Investments held for trading	**–**	699,713	(100.0)	Redemption of investments held for trading during the current period
Bills receivable	**2,435,963**	1,414,970	72.2	The Company increased the proportion of bills settlement due to the tightening of domestic monetary policy
Accounts receivable	**108,061**	74,917	44.2	Increase in operating income during the current period
Prepayments	**32,564**	6,208	424.5	Increase in prepaying the purchase of raw materials at the current period end
Other receivable	**11,006**	29,985	(63.3)	The Company received export tariff rebates on products of 2010
Other current assets	**30,035**	62,443	(51.9)	Decrease in the balance of recoverable VAT
Employee benefits payable	**232,797**	71,444	225.8	Increase in unpaid bonuses at the current period end
Taxes payable	**45,892**	125,827	(63.5)	Settlement of income tax of last year during the current period
Specific reserve	**1,294**	755	71.4	The Company appropriated safety fund during the current period

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

(Consolidated and unaudited)

Item	For the six months ended 30 June 2011 *RMB'000*	 2010 *RMB'000*	Variance *(%)*	Reason for Variance
Operating income	**10,332,587**	7,596,517	36.0	Increase in the selling prices of products during the current period
Operating costs	**9,095,394**	6,913,950	31.6	Increase in costs of raw materials during the current period
Impairment loss	**888**	1,418	(37.4)	Reversal of the diminution in value of inventories during the current period
Non-operating income	**55,653**	11,226	395.8	Reversal the loss of breach the contract during the current period
Non-operating expenses	**313**	1,426	(78.1)	Decrease in losses on disposal of fixed assets during the current period
Income tax expenses	**189,961**	(190,428)	Not applicable	Increase in profit before taxation and the Company recognised deferred tax assets previously not recognised in 2010

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 2011 is as follows:

Type	Number of shareholders
Legal person share (A share)	2
Social public share (A share)	34,475
"H" share	526
Total	35,003

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

As at 30 June 2011, 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	35,003

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	1,385,193,005	34.63	Circulating shares	Nil
CITIC Group Corporation ("**CITIC**") **	Domestic legal person shareholder	720,000,000	18.00	720,000,000	Nil
China Construction Bank-CIFM China Advantage Securities Investment Fund	Domestic circulating shares	32,603,413	0.82	Circulating shares	Not applicable
China Life Insurance Company Limited-Traditional-Ordinary Insurance Product-005L-CT001 Shanghai	Domestic circulating shares	4,045,811	0.10	Circulating shares	Not applicable
China Life Insurance Company L imited-Dividends-Personal Dividends-005L-FH002 Shanghai	Domestic circulating shares	2,115,170	0.05	Circulating shares	Not applicable
IP KOW	Overseas capital shareholder	1,900,000	0.05	Circulating shares	Not applicable
Chen Zhang-hua	Domestic circulating shares	1,643,290	0.04	Circulating shares	Not applicable
Lin You-ming	Domestic circulating shares	1,620,068	0.04	Circulating shares	Not applicable
Bank of Communications-Tianzhi Core Development Share-type Securities Investment Fund	Domestic circulating shares	1,494,592	0.04	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***	1,385,193,005	"H" shares
China Construction Bank-CIFM China Advantage Securities Investment Fund	32,603,413	Circulating "A" shares
China Life Insurance Company Limited-Traditional-Ordinary Insurance Product-005L-CT001 Shanghai	4,045,811	Circulating "A" shares
China Life Insurance Company Limited-Dividends-Personal Dividends-005L-FH002 Shanghai	2,115,170	Circulating "A" shares
IP KOW	1,900,000	"H" shares
Chen Zhang-hua	1,643,290	Circulating "A" shares
Lin You-ming	1,620,068	Circulating "A" shares
Bank of Communications-Tianzhi Core Development Share-type Securities Investment Fund	1,494,592	Circulating "A" shares
China Life Insurance (Group) Company-Traditional-Ordinary Insurance Product	1,352,365	Circulating "A" shares
Lu Bao-hong	996,600	Circulating "A" shares

Statement on the connected relationship or activities in concert among the above-mentioned shareholders	Except for China Life Insurance Company Limited-Traditional-Ordinary Insurance Product-005L-CT001 Shanghai, China Life Insurance Company Limited-Dividends-Personal Dividends-005L-FH002 Shanghai and China Life Insurance (Group) Company-Traditional-Ordinary Insurance Product, all of which are under the management of China Life Insurance Asset Management Company Limited, the Company is not aware of that there is any connected relationship or activities in concert among the above–mentioned 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 2011, (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 2011, 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 2011, 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

The eighteenth meeting of the sixth session of the Board of the Company held on 9 May 2011 considered and approved the resolution regarding the request of Mr. Qin Wei-zhong to resign from his position as a Director. The Board announced that it has accepted the resignation of Mr. Qin Wei-zhong, a Director of the Company, from his position as a Director due to new working arrangement. The Board would like to express its gratitude to Mr. Qin for his hard work and contribution to the Company during his term of office.

Mr. Sun Yu-guo was elected as a Director of the sixth session of the Board at the Annual General Meeting for 2010 ("**2010 AGM**") held on 8 June 2011.

The seventeenth meeting of the sixth session of the Board of the Company held on 28 April 2011 appointed Mr. Liu Xiao-qin as the Deputy General Manager of the Company.

Biography of Mr. Sun Yu-guo

Mr. Sun Yu-guo, aged 47, currently Deputy Director of Development and Plan Department of Sinopec, Master of Engineering, Senior Engineer (at professor level). Mr. Sun has joined petrochemical industry since 1987. He served as Deputy Director of Strategic Plan Section of Development and Plan Department of CPC in December 1998, Director of Refining Oil, Transportation and Selling Plan Section of Development and Plan Department of Sinopec in February 2000, Deputy Director of the Asset and Accounting Department of Sinopec Assets and Management Corporation in March 2006, and Deputy Director of Development and Plan Department of Sinopec in May 2008. Mr. Sun has extensive experience in planning and management in chemicals industry. Mr. Sun graduated from Dalian University of Technology in 1984, majoring in fundamental organic chemical engineering. Mr. Sun obtained Master of Engineering from Dalian University of Technology in 1987, majoring in chemical engineering.

Biography of Mr. Liu Xiao-qin

Mr. Liu Xiao-qin, aged 45, Doctor of Applied Chemistry, and Senior Engineer (at professor level). Mr. Liu has joined petrochemical industry since 1988 and served as Deputy Director of Dispatching Center, Deputy Chief Engineer and Director of Production Department, Deputy Head and Head of Yingshan Petrochemical Plant in Baling Petrochemical Company, and then the Assistant to Manager of Sinopec Baling Branch. In March 2003, he was appointed as Deputy Manager of Sinopec Baling Branch. In December 2008, he was appointed as Deputy General Manager of Sinopec Baling Branch, and during this period, he also took a temporary position of Vice Governor of Haixi Mongolian-Tibetan Autonomous Prefecture and Deputy Director of Olefins Projects Leading Group in Qinghai Province (leaving office now). Mr. Liu has possessed vast experience in production, technological improvement and business administration in large-scale enterprises. He was chosen as the Prominently Contributive Technology and Management Expert of Sinopec and conferred the title of the 5th Ten Outstanding Young Persons in Hunan Province. Mr. Liu graduated from Zhejiang University in 1988, majoring in Organic Chemical Industry. He received his Master of Business Administration degree from Hunan University respectively in 2001, then graduated with Doctor Degree in Applied Chemistry in 2004, and become Doctor of Engineering.

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 2011 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
Lu Li-yong	Chairman	0	0	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
Sun Yu-guo	Director	0	0	Nil	Not applicable
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
Liu Xiao-qin	Deputy General Manager	0	0	Nil	Not applicable
Li Jian-ping	Chief Financial Officer	0	0	Nil	No Change
Tom C. Y. Wu	Secretary to the Board	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 2011, 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 2011, the Company has four Independent Directors, one of whom are professionals in the accounting field and have experience in financial management.

The Audit Committee of the Board of the Company has been founded in accordance with requirements under the Listing Rules.

5. BUSINESS REVIEW & PROSPECTS

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

Interim results

For the six months ended 30 June 2011, the Group's consolidated turnover amounted to RMB10,332,587,000, increased by 36.0 per cent compared with RMB7,596,517,000 for the corresponding period of last year. The profit attributable to equity shareholders of the Company was RMB585,297,000, increased by 36.3 per cent as compared with RMB429,541,000 for the corresponding period of last year, and basic earnings per share increased by 36.3 per cent to RMB0.146 as compared with RMB0.107 for the corresponding period of last year.

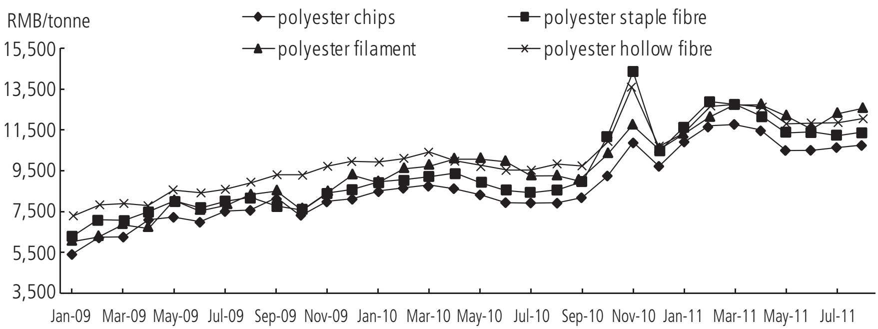
The Board resolved that no interim dividend would be paid for the year ended 31 December 2011 (interim dividend for 2010: Nil).

Market review

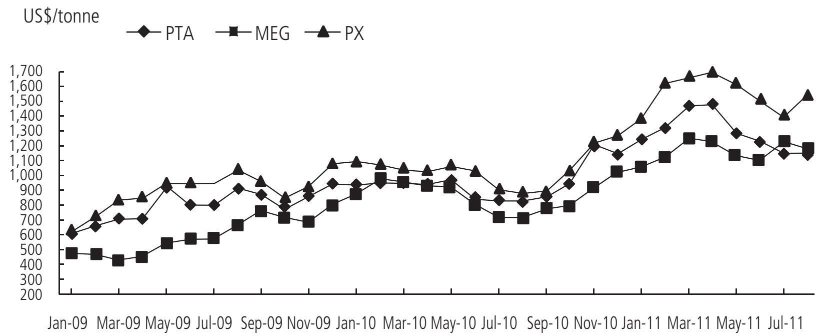
In the first half of 2011, domestic polyester industry manifested good momentum of steady and relatively rapid development as a whole, and profit margin of polyester products had widely expanded compared the corresponding period of last year. In the first half of 2011, affected by the fact that international crude oil prices were ascending swiftly and running at high and volatile level, prices for polyester raw materials had increased significantly compared with the corresponding period of last year. At the same time, market demands for polyester products were stably boosting, so under the influence of rapid growing demands and costs, polyester products prices and profit margin also boosted sharply. But on one hand, in view of rapid increase in domestic polyester production capacity, the competitiveness for the polyester industry was being gradually harsh; on the other hand, quickly climbing costs and constrained pressure for energy and resources would also continuously expand business risks of domestic polyester industry.

Market review (continued)

Product Prices Quoted by the Company (Excluding VAT)



Raw Material Contract Price Offered by International Suppliers



In the first half of 2011, the newly-added polyester production capacity was about 2,060,000 tonnes, and the total polyester production capacity amounted to 31.13 million tonnes at the end of first half of 2011. Total domestic supply volume of polyester fibre was 13,999,900 tonnes, an increase of 11.7 per cent compared with the corresponding period of last year, of which, the domestic production volume increased by 14.0 per cent. Meanwhile, Total domestic consumption volume of polyester fibre was 12,440,400 tonnes, an increase of 11.8 per cent compared with the corresponding period of 2010, the domestic demand for polyester fibre increased steadily as well.

Market review (continued)

	Domestic supply and demand of polyester fibre								
	Polyester filament			Polyester staple fibre			Polyester fibre		
	First half of 2011 *'000 tonnes*	First half of 2010 *'000 tonnes*	+/- *(%)*	**First half of 2011 *'000 tonnes***	First half of 2010 *'000 tonnes*	+/- *(%)*	**First half of 2011 *'000 tonnes***	First half of 2010 *'000 tonnes*	+/- *(%)*
Production volume	**8,599.5**	7,542.5	14.0	**4,632.3**	4,061.6	14.1	**13,231.8**	11,604.1	14.0
Import volume	**76.2**	78.3	(2.7)	**54.9**	68.5	(19.9)	**131.1**	146.8	(10.7)
Export volume	**538.0**	446.1	20.6	**493.5**	269.5	83.1	**1,031.5**	715.6	44.1
Net import	**(461.8)**	(367.8)	25.6	**(438.6)**	(201.0)	118.2	**(900.4)**	(568.8)	58.3
Inventories at the beginning of the period	**362.0**	454.0	(20.3)	**275.0**	323.0	(14.8)	**637.0**	777.0	(18.0)
Inventories at the end of the period	**315.0**	382.0	(17.5)	**213.0**	305.0	(30.2)	**528.0**	687.0	(23.1)
Total supply volume	**9,037.7**	8,074.8	11.9	**4,962.2**	4,453.1	11.4	**13,999.9**	12,527.9	11.7
Total consumption volume	**8,184.7**	7,246.7	12.9	**4,255.7**	3,878.6	9.7	**12,440.4**	11,125.3	11.8

Source: The Chemical Fibre Association of China

Result review

In the first half of 2011, the Group further strengthened safe management, improved the combination of production, sales and research, endeavoured to expand its markets, optimised its products structure, 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 2011, the Group's production facilities maintained safe and stable operations. Production volume and sales volume of main products and PTA increased compared with the corresponding period of 2010. Meanwhile, to maximize profits, the Group adjusted the products mix and capacity utilisation rate dynamically according to market change. The total production volume of polyester products was 1,090,276 tonnes, an increase of 4.6 per cent compared with 1,041,866 tonnes for the corresponding period of 2010. The capacity utilisation rate of polyester utilities reached 96.4 per cent. The total production volume of purified terephthalic acid ("**PTA**") was 532,032 tonnes, an increase of 6.1 per cent compared with 501,414 tonnes for the corresponding period of last year. In the first half of 2011, the Group maintained a balance between production and sales, and enhanced the capacity of adapting market and meeting customer. The Group's total sales volume of polyester products reached 874,128 tonnes, an increase of 4.8 per cent compared with 834,388 tonnes in the corresponding period of 2010. The Group's export volume of polyester products was 36,920 tonnes, a decrease of 33.7 per cent compared with 55,726 tonnes for the corresponding period of 2010. Excluding the self-consumption volume and other factors, the ratio of sales to production reached 99.3 per cent.

New product development and technological innovation

In the first half of 2011, as the Group further optimised its products structure to meet market demand, the profit contributions from differential and specialized products were distinctly increased. Altogether, the Group initiated five kinds of new polyester products, began development of five products, and launched nineteen products for market promotion. In the first half of 2011, the Group's total production volume of specialized polyester chips amounted to 457,682 tonnes and the specialized rate was 86.8 per cent, 2.2 percentage points higher than that of the corresponding period of 2010. The total production volume of differential polyester fibre amounted to 318,151 tonnes and the differential rate of polyester fibre was 89.1 per cent, 3.7 percentage points higher than that of the corresponding period of 2010.

Cost control

In the first half of 2011, the weighted average prices (excluding VAT) of the Group's polyester products increased by 30.3 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**"), increased by 35.2 per cent compared with the corresponding period of 2010. 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 1.8 per cent compared with the corresponding period of 2010. Measures for reducing cost and increasing efficiency were implemented together by strictly implementing overall budget control. In the first half of 2011, due to increase in freight and insurance premium resulting from the rise in sales volume and the prices of products, the Group's selling expenses increased by 10.8 per cent from those of the first half of 2010. Due to increase in employee costs, the Group's administrative expenses increased by 26.5 per cent from those of the first half of 2010. Due to the increase in interest income from deposits, the net finance income increased by 28.3 per cent from those of the first half of 2010.

Capital expenditure

In the first half of 2011, the Group's total capital expenditure was RMB141,518,000. To maximize investment contribution, the Group strengthened investment management in accordance with the prudence principle. The first phase of high performance polyethylene fiber project with an annual capacity of 3,000 tonnes has been complete and put into trial production in July 2011. The construction of 1,4-Butanediol project with an annual capacity of 100,000 tonnes was implemented smoothly, and is expected to complete and put into production in August 2012.

Business prospects

In the second half of 2011, owing to the sluggish economic recovery of main developed countries and increasingly growing instability and uncertainty of global economic growth, domestic inflationary pressure will further increase, so the company's business operation will be confronted with tough and complicated situation. In terms of overall polyester industry chain, USA's recent debt crisis will press international crude oil prices into an even more oscillating situation, whose influences will keep penetrating into the whole polyester industry, enhancing the corresponding industrial venture. Furthermore, compared with the natural fibre, such as cotton, whether in terms of prices or application area, polyester products enjoy great and wide superiority, thus market demands for polyester product will continue to maintain a stable growth.

In the second half of 2011, faced with a more complicated 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 2011:

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 implement strict measures and controls over key facilities and areas. Priorities will be given to PTA facility to ensure a safe and stable production, and to achieve a target on increasing PTA production volume. The Group will continuously stabilize and improve product quality, and do well in technology service for consumers to fulfill their needs. In the second half of 2011, the Group's projected production volume of polyester products is 1,074,000 tonnes, and the projected 2011 annual production volume of polyester products is 2,164,000 tonnes, 1.2 per cent higher than production volume in 2010. The Group's projected production volume of PTA for the second half of 2011 is 522,000 tonnes. The projected 2011 annual production volume of PTA is 1,054,000 tonnes, 1.2 per cent higher than that in 2010.

Business prospects (continued)

II. Pay close attention to market change and better balance material supply, production and sales

The Group will pay close attention to market changes, further balance materials supply with, production and sales, make greater efforts in selling product, control the pace of raw material procurement and storage levels to reduce market risks and strive for greater profit. Meanwhile, the debt collection will be speeded up and the capital occupied will be cut down. In the second half of 2011, the Group's projected sales volume of polyester products is 906,000 tonnes. The 2011 projected sales volume of polyester products is 1,780,000 tonnes, an increase of 3.0 per cent from that of 2010. The ratio of sales to production is expected to reach 100 per cent in the second half of 2011.

III. Improve product structure and profit contribution from differential products

The Group will try to develop new products to meet market demand, further optimize product structure, and expand the production of specialized and differential products which have strong profitability. Meanwhile, the Group will continue to concentrate the market expansion of new products and stable sales of key products so as to further improve the profit contribution from differential products. In the second half of 2011, the Group's projected production volume of specialized polyester chips and differential fibre products is 460,000 tonnes and 332,000 tonnes respectively. Specialized rates are expected to be 85.2 per cent and differential rates are expected to be 90.6 per cent.

IV. Greatly reduce cost and expenses and actively carry out energy-consumption savings

The Group will continue to carry out the measures drafted at the beginning of 2011 for reducing costs and expenses. The Group will further implement overall budget management and strictly manage extrabudgetary expenses to meet the expense control target. The Group will strengthen the management of bills receivable and strictly control the settlement ratio of bills to reduce financial risks. The Group will continually improve energy efficiency, and reduce consumption of raw materials and energy. The Group will strive to realize the annual target on saving energy and reducing consumption of raw materials by organizing technical improvement and fine management.

V. Accelerate effective development and enhance continual competitiveness and profitability

The Group will speed up effective development and enhance continuous competitiveness and profitability. The Group will meticulously organize the production work of the first phase of high performance polyethylene fiber project with an annual capacity of 3,000 tonnes, and realize the stable and full operation of this project as soon as possible. Meanwhile, the Group will make preparation for the pre-sales and exert great efforts to expand the market and application fields of high performance polyethylene fiber products. The Group will well-organize and implement the construction of 1,4-Butanediol project with an annual capacity of 100,000 tonnes, which is expected to be put into operation in August 2012. The Group will start the construction of the polyester project with an annual capacity of 400,000 tonnes and the differential staple fibre project with an annual capacity of 200,000 tonnes as soon as possible.

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. Interim results

(1) Turnover

In the first half of 2011, the Group's production facilities maintained safe and stable operations. The production volume of polyester products and PTA steadily increased compared with the corresponding period of 2010. The Group's total production volume of polyester products was 1,090,276 tonnes, an increase of 4.6 per cent compared to 1,041,866 tonnes for the corresponding period of 2010. The Group's capacity utilization rate reached 96.4 per cent. The Group's total production volume of PTA was 532,032 tonnes, an increase of 6.1 per cent compared with 501,414 tonnes for the corresponding period of 2010.

(1) Turnover (continued)

Production volume

	For the six months ended 30 June			
	2011		2010	
	Production volume *(tonnes)*	**Percentage of total production volume *(%)***	Production volume *(tonnes)*	Percentage of total production volume *(%)*
Polyester products				
Polyester chips	**527,485**	**48.4**	512,741	49.2
Bottle-grade polyester chips	**181,292**	**16.6**	157,481	15.1
Staple fibre	**263,206**	**24.1**	238,446	22.9
Hollow fibre	**18,350**	**1.7**	24,584	2.4
Filament	**99,943**	**9.2**	108,614	10.4
Total	**1,090,276**	**100.0**	1,041,866	100.0

In the first half of 2011, the Group's total sales volume of polyester products amounted to 874,128 tonnes, an increase of 4.8 per cent compared with 834,388 tonnes for the corresponding period of 2010. Excluding the self-consumption volume and other factors, the ratio of sales to production reached 99.3 per cent. The Group's export volume of polyester products was 36,920 tonnes, a decrease of 33.7 per cent compared to 55,726 tonnes for the corresponding period of 2010. The weighted average prices (excluding VAT) of the Group's polyester products increased from RMB8,910/tonne for the corresponding period of 2010 to RMB11,613 /tonne for the first half of 2011, representing a 30.3 per cent increase. As a result, the profit margin of polyester products of the Company increased compared with the corresponding period of 2010.

Sales volume

	For the six months ended 30 June			
	2011		2010	
	Sales volume *(tonnes)*	**Percentage of total sales volume *(%)***	Sales volume *(tonnes)*	Percentage of total sales volume *(%)*
Polyester products				
Polyester chips	**330,901**	**37.8**	339,430	40.7
Bottle-grade polyester chips	**181,602**	**20.8**	156,097	18.7
Staple fibre	**266,427**	**30.5**	233,848	28.0
Hollow fibre	**17,706**	**2.0**	22,805	2.7
Filament	**77,492**	**8.9**	82,208	9.9
Total	**874,128**	**100.0**	834,388	100.0

(1) Turnover (continued)

Average Prices for Products (RMB/tonne, excluding VAT)

	For the six months ended 30 June		
	2011	2010	Change *(%)*
Polyester products			
Polyester chips	**10,991**	8,430	30.4
Bottle-grade polyester chips	**11,110**	8,681	28.0
Staple fibre	**12,342**	9,178	34.5
Hollow fibre	**12,413**	10,241	21.2
Filament	**12,762**	10,191	25.2
Weighted average price	**11,613**	8,910	30.3

Turnover

	For the six months ended 30 June			
	2011		2010	
	Turnover ***RMB'000***	**Percentage of turnover** ***(%)***	Turnover *RMB'000*	Percentage of turnover *(%)*
Polyester products				
Polyester chips	**3,636,860**	**35.2**	2,861,501	37.7
Bottle-grade polyester chips	**2,017,508**	**19.5**	1,355,044	17.8
Staple fibre	**3,288,302**	**31.8**	2,146,320	28.3
Hollow fibre	**219,780**	**2.1**	233,545	3.1
Filament	**988,929**	**9.6**	837,774	11.0
Others	**181,208**	**1.8**	162,333	2.1
Total	**10,332,587**	**100.0**	7,596,517	100.0

In the first half of 2011, because the Group's total sales volume of the polyester products and the weighted average price of polyester products increased by 4.8 per cent and 30.3 per cent respectively compared with the corresponding period of 2010, the Group's turnover increased from RMB7,596,517,000 for the corresponding period of 2010 to RMB10,332,587,000, representing a 36.0 per cent increase.

(2) Cost of sales

In the first half of 2011, the Group's cost of sales was RMB9,265,994,000, an increase of RMB2,181,555,000 compared with RMB7,084,439,000 for the corresponding period of 2010, representing 89.7 per cent of turnover. The increase in cost of sales was mainly due to substantial increase in the costs of raw materials. Total costs of raw materials increased by 34.4 per cent, from RMB6,369,775,000 to RMB8,562,309,000, compared with the corresponding period of 2010, accounting for 92.4 per cent of the cost of sales. The increase was mainly due to the significant increase in the purchase costs of raw materials. In the first half of 2011, the weighted average price of external purchased polyester raw materials increased by 35.2 per cent compared with the corresponding period of 2010. Of this increase, the average purchase costs of PX, PTA and MEG increased by 42.7 per cent, 38.0 per cent and 22.4 per cent respectively compared with the corresponding period of 2010.

(2) Cost of sales (continued)

In the first half of 2011, because turnover increased by 36.0 per cent compared with the corresponding period of 2010, and cost of sales increased by 30.8 per cent compared with the corresponding period of 2010, the Group's gross profit increased by RMB554,515,000 to RMB1,066,593,000 compared with the corresponding period of 2010. The Group's gross margin was 10.3 per cent, an increase of 3.6 percentage points compared with the corresponding period of 2010.

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

	For the six months ended 30 June		
	2011	2010	Change
	RMB'000	*RMB'000*	*(%)*
Selling expenses	**108,938**	98,331	10.8
Administrative expenses	**260,504**	205,872	26.5
Net financial income	**(27,881)**	(21,738)	28.3
Total	**341,561**	282,465	20.9

In the first half of 2011, due to increase in freight and insurance premium resulting from the rise in sales volume and the prices of products, the Group's selling expenses increased by 10.8 per cent from those of the first half of 2010. Due to the increase in employee costs, the Group's administrative expenses increased by 26.5 per cent from those of the first half of 2010. Due to the increase in interest income from deposits, the net finance income increased by 28.3 per cent from those of the first half of 2010. The total increase in selling expenses, administrative expenses and net finance income was 20.9 per cent from that of the first half of 2010.

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

	For the six months ended 30 June		
	2011	2010	Change
	RMB'000	*RMB'000*	*(%)*
Operating profit	**747,377**	217,375	243.8
Profit before taxation	**775,258**	239,113	224.2
Income tax expense	**189,961**	(190,428)	Not applicable
Profit attributable to equity shareholders of the Company	**585,297**	429,541	36.3
Basic earnings per share (in RMB)	**0.146**	0.107	36.3

In the first half of 2011, the Group chased the favor opportunity of the increase in the profit margin of polyester products of the Company. Meanwhile, the Group increased profit by strengthening fine management, making efforts to reduce its costs and expenses and increasing profit contribution from differential products. The Group's profit before taxation was RMB775,258,000, an increase of 224.2 per cent compared to RMB239,113,000 for the corresponding period of 2010. Profit attributable to equity shareholders of the Company was RMB585,297,000, an increase of 36.3 per cent compared to RMB429,541,000 for the corresponding period of 2010.

(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 2011 in accordance with the PRC Accounting Standards for Business Enterprises.

Products	Operating income *RMB'000*	Cost of sales *RMB'000*	Gross profit margin *(%)*	Increase/ (decrease) in operating income as compared with the corresponding period of last year *(%)*	Increase/ (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
Polyester products	10,151,379	8,951,752	11.8	36.6	32.8	Increased by 2.5 Percentage points
Including:						
Polyester Chips	3,636,860	3,123,967	14.1	27.1	20.9	Increased by 4.4 percentage points
Bottle-grade polyester chips	2,017,508	1,825,680	9.5	48.9	46.7	Increased by 1.3 percentage points
Staple and hollow fibre	3,508,082	3,075,438	12.3	47.4	44.5	Increased by 1.7 percentage points
Filament	988,929	926,667	6.3	18.0	17.9	Increased by 0.2 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) Operating income by regions

The following is the statement of operations by products for the six months ended 30 June 2010 in accordance with the PRC Accounting Standards for Business Enterprises.

Region	Operating income *RMB'000*	Increase / (decrease) from last year *(%)*
Mainland	9,908,978	39.4
Hong Kong, Macau, Taiwan, and overseas	423,609	(12.9)

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 2011 *RMB'000*	At 31 December 2010 *RMB'000*	Variance *RMB'000*
Total assets	**11,303,036**	10,531,202	771,834
Current assets	**6,907,034**	6,076,397	830,637
Non-current assets	**4,396,002**	4,454,805	(58,803)
Total liabilities	**2,565,032**	2,258,495	306,537
Current liabilities	**2,505,664**	2,198,621	307,043
Non-Current liabilities	**59,368**	59,874	(506)
Total equity attributable to equity shareholders of the Company	**8,738,004**	8,272,707	465,297

As at 30 June 2011, the Group's total assets were RMB11,303,036,000, total liabilities were RMB2,565,032,000, and total equity attributable to equity shareholders of the Company was RMB8,738,004,000. Compared with the assets and liabilities as at 31 December 2010 (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 RMB11,303,036,000, an increase of RMB771,834,000 compared with the end of last year. Current assets were RMB6,907,034,000, an increase of RMB830,637,000 compared with the end of last year. The increase was mainly due to the increase in trade and other receivables by RMB1,029,102,000 owing to the rise in the balance of bills receivables resulting from the domestic tightly monetary policy in the first half of 2011, and the increase in the Group's deposits with banks and other financial institutions by RMB871,544,000, and Meanwhile, cash and cash equivalents decreased by RMB1,197,082,000. Non-current assets were RMB4,396,002,000, a decrease of RMB58,803,000 compared with the end of last year, mainly due to ordinary depreciation and amortization.

Total liabilities were RMB2,565,032,000, an increase of RMB306,537,000 compared with the end of last year. Current liabilities were RMB2,505,664,000, an increase of RMB307,043,000 compared with the end of last year, mainly due to the increase of RMB377,888,000 in trade and other payables during the current period owing to the rise in the accrued bonuses and the accrue of RMB72,000 in dividend payable. Non-current liabilities were RMB59,368,000, a decrease of RMB506,000 compared with the end of last year.

Total equity attributable to equity shareholders of the Company was RMB8,738,004,000, an increase of RMB465,297,000 compared with the end of last year, mainly due to the profit attributable to equity shareholders of the Group amounting to RMB585,297,000 in the first half of 2011.

As at 30 June 2011, total liabilities to total assets ratio was 22.7 per cent, whereas 21.4 per cent as at 31 December 2010.

(2) Cash flow analysis

In the first half of 2011, cash and cash equivalents decreased by RMB1,494,952,000, representing a decreased from RMB2,323,802,000 as at 31 December 2010 (including investment held for trading with an initial term less than three months amount to RMB297,870,000) to RMB828,850,000 as at 30 June 2011. The following table lists major items in the consolidated cash flow statement of the Group for the first half of 2011 and 2010.

Major items in cash flow statement	For the six months ended 30 June		
	2011	2010	Changes
	RMB'000	*RMB'000*	*RMB'000*
Net cash used in operating activities	**(389,437)**	(447,019)	(57,582)
Net cash (used in) / generated from investing activities	**(1,057,515)**	796,855	(1,854,370)
Net cash used in financing activities	**(48,000)**	–	48,000
Net (decrease)/increase in cash and cash equivalents	**(1,494,952)**	349,836	(1,844,788)
Cash and cash equivalents at the beginning of the period	**2,323,802**	774,767	1,549,035
Cash and cash equivalents at the end of the period	**828,850**	1,124,603	(295,753)

In the first half of 2011, the Group's net cash outflow from operating activities was RMB389,437,000, representing a decrease of cash outflow by RMB57,582,000 compared with the corresponding period of 2010. This was mainly due to the following: (1) Gross profit was RMB1,066,593,000 in the first half of 2011, while there was RMB512,078,000 in the first half of 2010. As a result, the net cash inflow from operating activities increased by RMB554,515,000 due to the rise in gross profit. (2) Trade and other receivables increased by RMB1,029,102,000 in the first half of 2011, while there had been an increase of RMB288,939,000 in the first half of 2010. As a result, the net cash inflow from operating activities decreased by RMB740,163,000.

In the first half of 2011, the Group's net cash outflow from investing activities was RMB1,057,515,000, an increase of cash outflow by RMB1,854,370,000 compared with the corresponding period of 2010. This was mainly due to the following: (1) In the first half of 2011, the net cash outflow from investing activities increased by RMB500,000,000 due to purchasing the financial assets available for sale. (2) Deposits with banks and other financial institutions increased by RMB871,544,000 in the in the first half of 2011, while there had been a decrease of RMB104,992,000 in the first half of 2010. As a result, the net cash outflow from investing activities increased by RMB976,536,000.

In the first half of 2011, the Group's net cash outflow from financing activities was RMB48,000,000, an increase of cash outflow by RMB48,000,000 compared with the corresponding period of 2010. It was mainly due to the payment of final dividends for the year ended 31 December 2010 in the first half of 2011.

(3) Bank borrowings

As at 30 June 2011, the Group's bank loans were nil (as at 31 December 2010: nil).

(4) Debt-equity ratio

The debt-equity ratio of the Group was nil for the first half of 2011 (first half of 2010: 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 2011, 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 2011, the Group's capital expenditure amounted to RMB141,518,000. The amount was mainly invested in the construction of 1,4-Butanediol project with an annual capacity of 100,000 tonnes and the first phase of high performance polyethylene fiber project with an annual capacity of 3,000 tonnes, and some technical reform so as to increase profit for the existing assets.

The Group's capital expenditure for the second half of 2011 is projected to be approximately RMB970,420,000. Including: 1,4-Butanediol project with an annual capacity of 100,000 tonnes, the polyester project with an annual capacity of 400,000 tonnes and the differential staple fibre project with an annual capacity of 200,000 tonnes amounting to RMB527,980,000, RMB50,000,000 and RMB89,000,000 respectively. In the second half of 2011, 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 from 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.

2. It is responsibility for the Board and Management of the Company to establish, and improve and effectively implement internal control system. The Company had set up management and functional departments of the internal control system in March 2003 to lead and develop this special work. In accordance with "Company Law of the People's Republic of China", "Securities Law of the People's Republic of China" and "the Fundamental Principles Government Internal Control", 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 annual and semi-annual checkup and evaluation of the deployment and therewith revised it. In light of the new regulatory requirements both domestic and overseas, the system was self-evaluated by the sixteenth meeting of the sixth term of the Board during the reporting period, and the Board was of the opinion that there was no significant default in the internal control system as at 31 December 2010 and considered that the internal control system relating financial report was sound and effectively implemented. The Self-evaluation Report on Internal Control System was considered and approved by the sixteenth meeting of the sixth term of the Board held on 28 March 2011, and was disclosed on the website of SSE and HKSE.

The Company has carried out the Fundamental Principles Governing Internal Control and Supporting Guidelines for Enterprises Internal Control starting from 2011. The Company will regulate and improve its internal control system based on six years practice. The Company designed Work Plan on Implement Internal Control, which was approved by the sixteenth meeting of the sixth term of the Board and was implemented.

During the reporting period, the internal control system (2011 Revision) was examined, revised and approved by the nineteenth meeting of the sixth term of the Board.

3. According relative laws or regulations of "Several Opinions of the State Council on Promoting the Reform, Opening-up and Stable Development of the Capital Market" (No. 3, 2004 of the State Council) and "Guidance Opinions on the Share Reform of Listed Companies" jointly promulgated by CSRC, State-Owned Assets Supervision and Administration Commission of the State Council, Ministry of Finance, People's Bank of China and Ministry of Commerce, the Company's non-circulating shareholders brought forward the proposal of share reform on 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 2010 AGM held on 8 June 2011, the Company paid a final cash dividend of RMB0.03 per share (including tax) for the year ended 31 December 2010 on 5 July 2011. Details of dividend payments to domestic shareholders were disclosed in China Securities, Shanghai Securities News and Securities Times on 23 June 2011, while the details of dividend payments to international shareholders were included in the announcement of the resolutions passed in the 2010 AGM, which were disclosed in China Securities, Shanghai Securities News, Securities Times and on the website of HKSE on 9 June 2011.

In accordance with the Articles of Association of the Company, the Board resolved that no interim dividend was paid for the year ended 31 December 2011.

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

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

7. Information on connected transactions

The Group's material connected transactions entered into during the period ended 30 June 2011 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	5,797,656	72.3

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 6 of the interim financial report prepared in accordance with PRC Accounting Standards for Business Enterprises.

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 2011, 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. 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.

14. 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 26 to 119 which comprises the consolidated statement of financial position of Sinopec Yizheng Chemical Fibre Company Limited as at 30 June 2011, and the related consolidated statement of comprehensive income, the consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six months 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 2011 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

29 August 2011

Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2011 – unaudited

	Note	Six months ended 30 June 2011 RMB'000	2010 RMB'000 (Restated)
Turnover	4	**10,332,587**	7,596,517
Cost of sales		**(9,265,994)**	(7,084,439)
Gross profit		**1,066,593**	512,078
Other income	5	**55,582**	10,042
Distribution costs		**(108,938)**	(98,331)
Administrative expenses		**(260,504)**	(205,872)
Other expenses		**(5,356)**	(542)
Profit from operations		**747,377**	217,375
Finance income	6(a)	**29,232**	24,275
Finance expenses	6(a)	**(1,351)**	(2,537)
Net finance income	6(a)	**27,881**	21,738
Profit before taxation	6	**775,258**	239,113
Income tax	7(a)	**(189,961)**	190,428
Profit and total comprehensive income for the period attributable to equity shareholders of the Company		**585,297**	429,541
Basic and diluted earnings per share (in RMB)	9	**0.146**	0.107

The notes on pages 32 to 119 form part of this interim financial report.

Consolidated Statement of Financial Position

as at 30 June 2011 – unaudited

	Note	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000 (Restated)
Non-current assets			
Property, plant and equipment	10	**3,297,614**	3,471,168
Construction in progress		**632,697**	498,041
Lease prepayments		**284,465**	288,705
Deferred tax assets	7(b)	**181,226**	196,891
		4,396,002	4,454,805
Current assets			
Available-for-sale financial assets	11	**500,000**	–
Investments held for trading		**–**	699,713
Inventories		**1,645,555**	1,318,769
Trade and other receivables	12	**2,617,629**	1,588,527
Deposits with banks and other financial institutions	13	**1,315,000**	443,456
Cash and cash equivalents	14	**828,850**	2,025,932
		6,907,034	6,076,397
Current liabilities			
Trade and other payables	15	**2,466,572**	2,088,684
Current taxation		**39,092**	109,937
		2,505,664	2,198,621
Net current assets		**4,401,370**	3,877,776
Total assets less current liabilities		**8,797,372**	8,332,581
Non-current liabilities			
Deferred income	16	**59,368**	59,874
Net assets		**8,738,004**	8,272,707

The notes on pages 32 to 119 form part of this interim financial report.

Consolidated Statement of Financial Position

as at 30 June 2011 – unaudited (continued)

	Note	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000 (Restated)
Equity			
Share capital		**4,000,000**	4,000,000
Share premium		**2,518,833**	2,518,833
Reserves	*17*	**146,476**	145,182
Retained profits		**2,072,695**	1,608,692
Total equity attribute to equity shareholders of the Company		**8,738,004**	8,272,707

Approved and authorised for issue by the Board of Directors on 29 August 2011.

Lu Li-yong
Director

Xiao Wei-zhen
Director

The notes on pages 32 to 119 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2011 – unaudited

	Share capital *RMB'000*	Share premium *RMB'000*	Reserves *RMB'000*	Retained profits *RMB'000*	Total equity attributable to equity shareholders of the Company *RMB'000*
Balance at 1 January 2010 (As previously reported)	4,000,000	2,518,833	(176,076)	569,722	6,912,479
Adjustments for change in accounting policy *(Note 2)*	–	–	204,415	(71,484)	132,931
Balance at 1 January 2010 (As restated)	4,000,000	2,518,833	28,339	498,238	7,045,410
Specific reserve accrued	–	–	324	–	324
Total comprehensive income for the period (As previously reported)	–	–	–	431,505	431,505
Adjustments for change in accounting policy *(Note 2)*	–	–	–	(1,964)	(1,964)
Total comprehensive income for the period (As restated)	–	–	–	429,541	429,541
Balance at 30 June 2010 (As restated)	4,000,000	2,518,833	28,663	927,779	7,475,275

The notes on pages 32 to 119 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2011 – unaudited (continued)

	Share capital *RMB'000*	Share premium *RMB'000*	Reserves *RMB'000*	Retained profits *RMB'000*	Total equity attributable to equity shareholders of the Company *RMB'000*
Balance at 30 June 2010 (As previously reported)	4,000,000	2,518,833	(175,752)	1,001,227	7,344,308
Adjustments for change in accounting policy *(Note 2)*	–	–	204,415	(73,448)	130,967
Balance at 30 June 2010 (As restated)	4,000,000	2,518,833	28,663	927,779	7,475,275
Reversal of specific reserve	–	–	(324)	–	(324)
Appropriation of statutory surplus reserve	–	–	116,843	(116,843)	–
Total comprehensive income for the period (As previously reported)	–	–	–	799,721	799,721
Adjustments for change in accounting policy *(Note 2)*	–	–	–	(1,965)	(1,965)
Total comprehensive income for the period (As restated)	–	–	–	797,756	797,756
Balance at 31 December 2010 (As restated)	4,000,000	2,518,833	145,182	1,608,692	8,272,707
Balance at 31 December 2010 (As previously reported)	4,000,000	2,518,833	(59,233)	1,684,105	8,143,705
Adjustments for change in accounting policy *(Note 2)*	–	–	204,415	(75,413)	129,002
Balance at 31 December 2010 (As restated)	4,000,000	2,518,833	145,182	1,608,692	8,272,707
Dividends approved in respect of the previous year *(Note 8)*	–	–	–	(120,000)	(120,000)
Specific reserve accrued *(Note 17)*	–	–	1,294	(1,294)	–
Total comprehensive income for the period	–	–	–	585,297	585,297
Balance at 30 June 2011	4,000,000	2,518,833	146,476	2,072,695	8,738,004

The notes on pages 32 to 119 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2011 – unaudited

		Six months ended 30 June	
		2011	2010
	Note	***RMB'000***	*RMB'000*
Net cash used in operating activities		**(389,437)**	(447,019)
Net cash (used in)/generated from investing activities		**(1,057,515)**	796,855
Net cash used in financing activities		**(48,000)**	–
Net (decrease)/increase in cash and cash equivalents		**(1,494,952)**	349,836
Cash and cash equivalents at 1 January	*14*	**2,323,802**	774,767
Cash and cash equivalents at 30 June	*14*	**828,850**	1,124,603

The notes on pages 32 to 119 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 29 August 2011.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2010 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011 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 report 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 2010 annual financial statements. The condensed consolidated interim financial report and notes thereon do not include all of the information required for a full set of financial report 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 25.

The financial information relating to the financial year ended 31 December 2010 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 2010 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 28 March 2011. The 2010 annual financial statements have been prepared in accordance with IFRSs.

2 Changes in accounting policies

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

- IAS 24 (revised 2009), *Related party disclosures*
- Improvements to IFRS (2010)

IAS 24 (revised 2009) "Related party disclosures" simplifies the definition of "related party" and removes inconsistencies, which emphasises a symmetrical view of related party transactions. The revised standard also provides limited relief from disclosure of information by government-related entities in respect of transactions with the government to which the Group is related, or transactions with other entities related to the same government. The amendments to IAS 24 have had no material impact on the Group's interim financial report.

In the Improvements to IFRSs (2010) omnibus standard, the IASB extended the scope of paragraph D8 of IFRS 1, *First time adoption of IFRSs*, for the use of the deemed cost exemption for an event-driven fair value. Under the amended standard, an entity is permitted to take as deemed cost the fair value of some or all of its assets and liabilities, when these fair values were determined under previous GAAP at one particular date because of a specific event which occurred during the period covered by its first financial statements prepared under IFRSs. Previously, IFRS 1 only permitted such valuations to be used as deemed cost if the event occurred before the date of the entity's transition to IFRSs (being the start of the earliest comparative period included in the first set of IFRS financial statements).

The Group's first financial statements prepared under IFRSs were for the year ended 31 December 1993, with the start of the earliest comparative period being 1 January 1991. During that period and pursuant to applicable laws and regulations of the PRC, the Group's financial statements prepared under Accounting Standards for Business Enterprises and other relevant rules and regulations (collectively "PRC GAAP") included leasehold land use rights at deemed cost based on the valuation performed by an independent valuer as of 31 December 1993. As this valuation was performed as of a date later than the date of transition to IFRSs, the Group was not permitted to adopt these valuations as deemed cost for the purposes of its IFRS financial statements and instead adopted the IFRS policy that leasehold land use rights were measured at historical cost and therefore, the related revaluation gains arising from the revaluation in 1993 as mentioned above were not recognised. The Group has chosen to adopt the amendments to IFRS 1 by making retrospective adjustments in order to eliminate the aforementioned differences between the Group's financial statements under IFRSs and those under PRC GAAP. Specifically, the Group has retrospectively adjusted the amounts reported for previous periods in its IFRS financial statements to reflect the recognition of the leasehold land use rights at their deemed cost based on the valuation performed by the independent valuer as of 31 December 1993, with consequential adjustments for amortisation charged in subsequent periods.

The major adjustments made to the amounts reported for previous periods and the effect of the changes on the current period, as reported in this interim financial report, are set out below:

Consolidated statement of financial position items

	1 January 2011 Increase/ (decrease) *RMB'000*	1 January 2010 Increase/ (decrease) *RMB'000*
Lease prepayments	**172,002**	177,241
Deferred tax assets	**(43,000)**	(44,310)
Total equity attributable to equity shareholders of the Company	**129,002**	132,931

2 Changes in accounting policies (continued)

Consolidated statement of comprehensive income items

	Six months ended 30 June	
	2011	2010
	Increase/ (decrease)	Increase/ (decrease)
	RMB'000	*RMB'000*
Administrative expenses	**2,619**	2,619
Income tax	**(655)**	(655)
Profit and total comprehensive income for the period attributable to equity shareholders of the Company	**(1,964)**	(1,964)
Basic and diluted earnings per share (in RMB)	**–**	–

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 Segment reporting

The Group manages its businesses by divisions, which are organised by business lines (products and services). 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

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results and assets attributable to each reportable segment on the following bases:

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 revenue, assistance provided by one segment to another, including sharing of assets, is not measured.

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

In addition to receiving segment information concerning "gross profit", management is provided with segment information concerning revenue (including inter-segment revenue), depreciation, amortisation and impairment losses. Inter-segment revenue are priced with reference to market price.

The Group changed the basis of inter-segment measures for internal reporting purpose from 1 July 2010. Before 1 July 2010, revenue and gross profit or loss from external customers only were measured and reviewed by the Group's senior executive management. From 1 July 2010, in addition to revenue and gross profit or loss from external customers, inter-segment revenue priced with reference to market price and inter-segment gross profit or loss were also measured and reviewed by the Group's senior executive management. The Group has restated the comparative amounts on a basis consistent with the revised segment measures.

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	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	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	**3,636,860**	2,861,501	**2,017,508**	1,355,044	**3,508,082**	2,379,865	**988,929**	837,774	**–**	–	**181,208**	162,333	**10,332,587**	7,596,517
Inter-segment revenue	**–**	46,671	**–**	–	**–**	–	**–**	–	**4,803,848**	3,282,816	**–**	–	**4,803,848**	3,329,487
Reportable segment revenue	**3,636,860**	2,908,172	**2,017,508**	1,355,044	**3,508,082**	2,379,865	**988,929**	837,774	**4,803,848**	3,282,816	**181,208**	162,333	**15,136,435**	10,926,004
Gross profit/(loss) from external customers	**132,130**	42,888	**(16,479)**	19,416	**143,662**	19,019	**(41,086)**	(19,239)	**–**	–	**36,745**	(1,164)	**254,972**	60,920
Inter-segment profit	**–**	699	**–**	–	**–**	–	**–**	–	**811,324**	453,301	**–**	–	**811,324**	454,000
Reportable segment profit/(loss)	**132,130**	43,587	**(16,479)**	19,416	**143,662**	19,019	**(41,086)**	(19,239)	**811,324**	453,301	**36,745**	(1,164)	**1,066,296**	514,920
Depreciation and amortisation	**30,657**	31,250	**9,064**	19,069	**18,272**	19,206	**7,010**	7,575	**70,210**	116,406	**47,344**	46,486	**182,557**	239,992
Impairment of PP&E	**341**	246	**–**	–	**–**	–	**71**	–	**4,270**	54	**431**	–	**5,113**	300
Write-down of inventories	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
As at 30 June 2011 and 31 December 2010														
Reportable segment assets	**636,891**	604,359	**202,158**	197,206	**529,344**	496,965	**177,595**	199,942	**1,118,695**	1,153,730	**1,000,412**	1,029,268	**3,665,095**	3,681,470

Revenues from segments below the quantitative thresholds are mainly attributable to five operating segments of the Group including one logistic center, one power center, one water supply center, one thermal center and one high-fibre 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, assets and other material items

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Revenue		
Revenue for reportable segments excluding other revenue	**14,955,227**	10,763,671
Other revenue	**181,208**	162,333
Elimination of inter-segment revenue	**(4,803,848)**	(3,329,487)
Consolidated turnover	**10,332,587**	7,596,517

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
		(Restated)
Profit		
Profits for reportable segments excluding other profit	**1,029,551**	516,084
Other profit/(loss)	**36,745**	(1,164)
Unallocated profit/(loss)	**297**	(2,143)
Elimination of inter-segment profit	**–**	(699)
Consolidated gross profit	**1,066,593**	512,078
Other income	**55,582**	10,042
Distribution costs	**(108,938)**	(98,331)
Administrative expenses	**(260,504)**	(205,872)
Other expenses	**(5,356)**	(542)
Net finance income	**27,881**	21,738
Consolidated profit before taxation	**775,258**	239,113

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
		(Restated)
Depreciation and amortisation		
Depreciation and amortisation for reportable segments excluding other depreciation and amortisation	**135,213**	193,506
Other depreciation and amortisation	**47,344**	46,486
Unallocated depreciation and amortisation	**15,409**	18,640
Consolidated total depreciation and amortisation	**197,966**	258,632

3 Segment reporting (continued)

(b) Reconciliations of reportable segment revenues, profit, assets and other material items (continued)

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000 (Restated)
Assets		
Assets for reportable segments excluding other assets	**2,664,683**	2,652,202
Other assets	**1,000,412**	1,029,268
Unallocated assets	**1,278,074**	1,112,111
Elimination of inter-segment balances	**–**	(3,644)
	4,943,169	4,789,937
Other non-current assets	**1,098,388**	983,637
Available-for-sale financial assets	**500,000**	–
Investments held for trading	**–**	699,713
Trade and other receivables	**2,617,629**	1,588,527
Deposits with banks and other financial institutions	**1,315,000**	443,456
Cash and cash equivalents	**828,850**	2,025,932
Consolidated total assets	**11,303,036**	10,531,202

	Six months ended 30 June 2011 RMB'000	Six months ended 30 June 2010 RMB'000
Impairment of PP&E		
Impairment of PP&E for reportable segments and consolidated total impairment of PP&E	**5,113**	300

4 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.

5 Other income

	Six months ended 30 June 2011 RMB'000	Six months ended 30 June 2010 RMB'000
Reversal of loss on breach of contracts	**29,661**	–
Net gain on disposal of property, plant and equipment	**24,229**	9,015
Others	**1,692**	1,027
Other income	**55,582**	10,042

6 Profit before taxation

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

(a) Net finance income:

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Interest income	**(20,029)**	(21,300)
Net foreign exchange gain	**(2,956)**	(2,102)
Net gain on disposal of investments held for trading	**(6,247)**	–
Net gain on disposal of available-for-sale financial assets	**–**	(873)
Finance income	**(29,232)**	(24,275)
Interest expense	**–**	1,878
Others	**1,351**	659
Finance expenses	**1,351**	2,537
Net finance income	**(27,881)**	(21,738)

(b) Other items:

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
		(Restated)
Cost of inventories#	**9,265,994**	7,084,439
Depreciation#	**193,726**	254,392
Impairment losses of property, plant and equipment	**5,113**	300
Reversal of write-down of inventories#	**(5,338)**	–
Amortisation of lease prepayments	**4,240**	4,240
Net gain on disposal of property, plant and equipment	**(24,229)**	(9,015)

\# *Cost of inventories includes RMB 163,216,000 (six months ended 30 June 2010: RMB 227,238,000) relating to depreciation and reversal of write-down of inventories which amount is also included in the respective total amounts disclosed separately in note 6(b) for each of these types of expenses.*

7 Income tax

(a) Income tax in the consolidated statement of comprehensive income represents:

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
		(Restated)
Current tax		
Provision for the period	**(174,296)**	–
Deferred tax		
Recognition of deferred tax assets	**–**	190,428
Reversal of deferred tax assets	**(15,665)**	–
	(189,961)	190,428

The charge for PRC income tax is calculated at the rate of 25% (2010: 25%) on the estimated assessable income of the period determined in accordance with relevant income tax rules and regulations. The Group did not carry out business in Hong Kong or overseas and therefore does not incur Hong Kong Profits Tax or overseas income taxes.

(b) Movements in the deferred tax assets are as follows:

	Balance at 1 January 2010	Recognised in consolidated statement of comprehensive income	Balance at 30 June 2010	Recognised in consolidated statement of comprehensive income	Balance at 31 December 2010	Recognised in consolidated statement of comprehensive income	**Balance at 30 June 2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)		
Current							
Provisions, primarily for receivables and inventory	–	5,080	5,080	5,277	10,357	(1,056)	**9,301**
Accrued expenses	–	–	–	6,411	6,411	(1,381)	**5,030**
Accrued sales rebate	–	14,864	14,864	(3,081)	11,783	(2,351)	**9,432**
Non-current							
Impairment for property, plant and equipment	–	105,086	105,086	3,322	108,408	(10,750)	**97,658**
Impairment for investment in subsidiary	–	53,273	53,273	1,598	54,871	–	**54,871**
Deferred income	–	12,125	12,125	(7,064)	5,061	(127)	**4,934**
	–	190,428	190,428	6,463	196,891	(15,665)	**181,226**

As at 30 June 2011, the Group has not recognised deferred tax assets in respect of deductible temporary differences amounting to RMB213,610,000 (2010: RMB 275,604,000) and cumulative unutilised tax losses amounting to RMB 386,026,000 (2010: RMB 323,550,000), 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.

7 Income tax (continued)

(b) Movements in the deferred tax assets are as follows: (continued)

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

	RMB'000
2011	76,681
2012	49,054
2013	76,159
2014	73,894
2015	47,762
2016	62,476
Total	386,026

8 Dividend

Pursuant to the shareholders' approval at the Annual General Meeting on 8 June 2011, a final dividend of RMB 0.03 per share totalling RMB 120,000,000 in respect of the year ended 31 December 2010 (2009: nil) was declared.

The Board of Directors does not recommend the payment of any interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: RMB nil).

9 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB 585,297,000 for the six months ended 30 June 2011 (six months ended 30 June 2010: restated profit of RMB 429,541,000) and the weighted average number of ordinary shares of 4,000,000,000 (2010: 4,000,000,000) in issue during the period.

(b) Diluted earnings per share

The Group had no dilutive potential ordinary shares in existence during the six months ended 30 June 2011 and 2010.

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 2011 and 2010 are as follows:

	Six months ended 30 June	
	2011 ***RMB'000***	2010 *RMB'000*
Cost of acquisitions and transfer from construction in progress	**28,484**	190,169
Disposals (net carrying amount)	**(3,199)**	(7,817)

11 Available-for-sale financial assets

	At 30 June 2011 ***RMB'000***	At 31 December 2010 *RMB'000*
Available-for-sale investments	**500,000**	–

The available-for-sale investments are stated at their fair values.

12 Trade and other receivables

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Trade receivables	**102,965**	71,692
Bills receivable	**2,435,963**	1,414,970
Amounts due from the parent company and fellow subsidiaries – trade	**5,096**	3,225
	2,544,024	1,489,887
Amounts due from the parent company and fellow subsidiaries-non-trade	**3,190**	8,688
Other receivables	**77,368**	95,792
	80,558	104,480
Less: Allowance for doubtful debts	**(6,953)**	(5,840)
	73,605	98,640
	2,617,629	1,588,527

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 is as follows:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Within 1 year	**2,544,024**	1,489,887

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

13 Deposits with banks and other financial institutions

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Balances with banks and other financial institutions, which are related parties		
– Sinopec Finance Company Limited ("**Sinopec Finance**")	**300,000**	–
– China CITIC Bank	**150,000**	–
Balances with banks in the PRC (excluding China CITIC Bank)	**865,000**	443,456
	1,315,000	443,456

14 Cash and cash equivalents

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Cash in hand	**16**	23
Balances with banks and other financial institutions with an initial term less than three months	**828,834**	2,025,909
Cash and cash equivalents in the consolidated statement of financial position	**828,850**	2,025,932
Investments held for trading with an initial term less than three months	**–**	297,870
Cash and cash equivalents in the consolidated cash flow statement	**828,850**	2,323,802

15 Trade and other payables

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Trade payables	**553,726**	563,091
Amounts due to the parent company and fellow subsidiaries-trade	**1,328,326**	1,079,833
Total trade payables	**1,882,052**	1,642,924
Dividend payables	**72,000**	–
Amounts due to the parent company and fellow subsidiaries – non-trade	**24,028**	11,865
Other payables and accrued expenses	**488,492**	433,895
	2,466,572	2,088,684

The maturity analysis of trade payables is as follows:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Due within 1 month or on demand	**553,726**	563,091

16 Deferred income

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
At 1 January	**59,874**	21,256
Government grants received during the period/year	**–**	39,630
Recognised in the consolidated statement of comprehensive income for the period/year	**(506)**	(1,012)
At 30 June 2011 and 31 December 2010	**59,368**	59,874

The government grant received related to projects was recognised initially as deferred income and amortised to profit or loss on a straight-line basis over the useful life of the related assets when it was ready for use.

17 Reserves

According to relevant PRC regulations, the Group is required to transfer an amount to reserve for the safety production fund based on the turnover of certain petrochemical products at rates specified in the regulations. During the six-month period ended 30 June 2011, the Group transferred RMB 1,294,000 from retained earnings to reserve for this safety production fund.

For the six months ended 30 June 2011, no transfers were made to the statutory surplus reserve, or the discretionary surplus reserve (six months ended 30 June 2010: RMB nil).

18 Related party transactions

CPC, Sinopec Corp and CITIC Group 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 and CITIC Group are considered to be related parties as they are subject to the common control and/or significant influence of CPC, Sinopec Corp or CITIC Group.

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

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Sinopec Corp and its subsidiaries		
Purchase of raw materials	**5,797,656**	3,151,230
Service charges paid for the sale of finished goods	**20,000**	20,000
Service charges paid for the purchase of raw materials	**15,404**	10,976
Sinopec Finance		
Interest income received	**1,971**	3,493
CPC and its subsidiaries (excluding Sinopec Corp and its subsidiaries and Sinopec Finance)		
Sales of goods	**138,526**	118,847
Miscellaneous service fee charges paid	**3,060**	6,000
Insurance premium paid	**11,818**	–
China CITIC Bank		
Interest income received	**1,887**	380

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.

18 Related party transactions (continued)

(b) 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	
	2011	2010
	RMB'000	*RMB'000*
Short-term employee benefits	**1,750**	1,578
Retirement scheme contributions	**100**	85

(c) Contributions to defined contribution retirement scheme

In addition to the basic defined contribution retirement schemes organised by its municipal government, the Group provides a supplementary retirement plan for its staff at a rate of 5% of salaries.

(d) 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.

19 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 2011 not provided for in the interim financial report as follows:

	At 30 June 2011	At 31 December 2010
	RMB'000	*RMB'000*
Authorised and contracted for	**383,122**	445,056
Authorised but not contracted for	**927,157**	967,743
	1,310,279	1,412,799

20 Contingent liability

With respect to uncertainties about enterprise income tax differences arising from 2006 and before as originated from a tax circular (Circular No.664) issued by the State Administrative of Taxation in June 2007, the Company has been informed by the relevant tax authority to settle the enterprise income tax ("EIT") for 2007 at a rate of 33 percent and for 2008 and thereafter at a rate of 25 percent. To date, the Company has not been requested to pay additional EIT in respect of any years prior to 2007. There is no further development of this matter during the period ended 30 June 2011. No provision has been made in the interim financial report for this uncertainty for tax years prior to 2007 because management believes it cannot reliably estimate the amount of the obligation, if any, that might exist.

21 Restatement of comparatives

As a result of the adoption of Improvements to IFRS (2010), certain comparative figures have been adjusted to reflect the accounting of leasehold land use rights at deemed cost. Further details of changes in accounting policies are disclosed in note 2.

(B) Interim financial report prepared in accordance with the PRC Accounting Standards for business enterprise

Balance sheet (unaudited)

(Expressed in thousands of renminbi yuan)

		The Group			The Company	
Item	*Note*	**At 30 June 2011**	At 31 December 2010	*Note*	**At 30 June 2011**	At 31 December 2010
Current assets:						
Cash at bank and on hand	*5(1)*	**2,143,850**	2,469,388		**2,143,850**	2,469,388
Investments held for trading	*5(2)*	**–**	699,713		**–**	699,713
Bills receivable	*5(3)*	**2,435,963**	1,414,970		**2,435,963**	1,414,970
Accounts receivable	*5(4)*	**108,061**	74,917	*10(1)*	**234,732**	208,675
Prepayments	*5(6)*	**32,564**	6,208		**32,564**	6,208
Other receivables	*5(5)*	**11,006**	29,985	*10(2)*	**11,006**	29,935
Inventories	*5(7)*	**1,645,555**	1,318,769		**1,645,555**	1,294,415
Available-for-sale financial assets	*5(8)*	**500,000**	–		**500,000**	–
Other current assets	*5(9)*	**30,035**	62,443		**30,035**	62,443
Total current assets		**6,907,034**	6,076,393		**7,033,705**	6,185,747
Non-current assets:						
Long-term equity investments		**–**	–	*10(3)*	**–**	–
Fixed assets	*5(10)*	**3,250,065**	3,413,109		**3,136,986**	3,292,760
Construction in progress	*5(11)*	**632,697**	498,043		**632,697**	498,043
Intangible assets	*5(12)*	**332,014**	346,766		**332,014**	346,766
Deferred tax assets	*5(13)*	**181,226**	196,891		**181,226**	196,891
Total non-current assets		**4,396,002**	4,454,809		**4,282,923**	4,334,460
Total assets		**11,303,036**	10,531,202		**11,316,628**	10,520,207

The notes on pages 32 to 119 form part of these financial statements.

Balance sheet (unaudited) (continued)

(Expressed in thousands of renminbi yuan)

		The Group			The Company	
Item	*Note*	**At 30 June 2011**	At 31 December 2010	*Note*	**At 30 June 2011**	At 31 December 2010
Current liabilities:						
Accounts payable	*5(15)*	**1,557,495**	1,343,835		**1,557,495**	1,340,094
Advances from customers	*5(16)*	**324,557**	297,828		**324,557**	279,131
Employee benefits payable	*5(17)*	**232,797**	71,444		**232,797**	71,265
Taxes payable	*5(18)*	**45,892**	125,827		**45,892**	122,449
Dividends payable	*5(19)*	**72,000**	–		**72,000**	–
Other payables	*5(20)*	**272,923**	359,687		**286,034**	371,044
Total current liabilities		**2,505,664**	2,198,621		**2,518,775**	2,183,983
Non-current liabilities:						
Deferred income	*5(21)*	**19,738**	20,244		**19,738**	20,244
Total non-current liabilities		**19,738**	20,244		**19,738**	20,244
Total liabilities		**2,525,402**	2,218,865		**2,538,513**	2,204,227
Shareholders' equity:						
Share capital	*5(22)*	**4,000,000**	4,000,000		**4,000,000**	4,000,000
Capital reserve	*5(23)*	**3,146,794**	3,146,794		**3,146,794**	3,146,794
Specific reserve	*5(24)*	**1,294**	755		**1,294**	755
Surplus reserve	*5(25)*	**116,843**	116,843		**116,843**	116,843
Retained earnings	*5(26)*	**1,512,703**	1,047,945		**1,513,184**	1,051,588
Total equity attribute to equity shareholders of the Company		**8,777,634**	8,312,337		**8,778,115**	8,315,980
Total liabilities and shareholders' equity		**11,303,036**	10,531,202		**11,316,628**	10,520,207

These financial statements have been approved by the Board of Directors of the Company on 29 August 2011.

Lu Li-yong	**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 32 to 119 form part of these financial statements.

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

	Item	Note	The Group 2011	The Group 2010	Note	The Company 2011	The Company 2010
1.	Operating income	*5(27)*	**10,332,587**	7,596,517	*10(4)*	**10,332,587**	7,503,477
2.	Operating costs	*5(27)*	**9,095,394**	6,913,950	*10(4)*	**9,099,037**	6,821,503
	Business taxes and surcharges	*5(28)*	**22,353**	19,430		**22,353**	18,632
	Selling and distribution expenses	*5(29)*	**108,938**	98,331		**108,938**	92,875
	General and administrative expenses	*5(30)*	**413,516**	355,813		**391,658**	344,811
	Net financial income	*5(31)*	**(21,634)**	(20,865)		**(21,634)**	(22,126)
	Impairment loss	*5(34)*	**888**	1,418		**888**	13,154
	Add: Losses from changes in fair value	*5(32)*	**(310)**	–		**(310)**	–
	Investment income	*5(33)*	**6,557**	873	*10(5)*	**6,557**	873
3.	Operating profit		**719,379**	229,313		**737,594**	235,501
	Add: Non-operating income	*5(35)*	**55,653**	11,226		**34,276**	5,832
	Less: Non-operating expenses	*5(36)*	**313**	1,426		**313**	1,304
	Including: Losses from disposal of non-current assets		**71**	1,184		**71**	1,184
4.	Profit before income tax		**774,719**	239,113		**771,557**	240,029
	Less: Income tax expenses	*5(37)*	**189,961**	(190,428)		**189,961**	(190,428)
5.	Net profit for the period		**584,758**	429,541		**581,596**	430,457
	Attributable to shareholders of the Company		**584,758**	429,541		**581,596**	430,457
6.	Earnings per share:						
	(1) Basic earnings per share (Expressed in RMB)	*5(38)*	**0.146**	0.107		**–**	–
	(2) Diluted earnings per share (Expressed in RMB)	*5(38)*	**0.146**	0.107		**–**	–

The notes on pages 32 to 119 form part of these financial statements.

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

		The Group			The Company	
Item	*Note*	**2011**	2010	*Note*	**2011**	2010
7. Other comprehensive income for the period		**–**	–		**–**	–
8. Total comprehensive income for the period		**584,758**	429,541		**581,596**	430,457
Attributable to shareholders of the Company		**584,758**	429,541		**581,596**	430,457

These financial statements have been approved by the Board of Directors of the Company on 29 August 2011.

Lu Li-yong	**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 32 to 119 form part of these financial statements.

Cash flow statement (unaudited)

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

	Item	Note	The Group 2011	The Group 2010	Note	The Company 2011	The Company 2010
1.	Cash flows from operating activities:						
	Cash received from sale of goods and rendering of services		**10,022,695**	7,709,355		**10,026,886**	7,575,186
	Refund of taxes		**1,960**	1,558		**1,960**	216
	Sub-total of cash inflows		**10,024,655**	7,710,913		**10,028,846**	7,575,402
	Cash paid for goods and services		**(9,297,648)**	(7,317,233)		**(9,297,648)**	(7,223,441)
	Cash paid to and for employees		**(365,936)**	(325,135)		**(348,750)**	(287,336)
	Cash paid for all types of taxes		**(491,728)**	(215,940)		**(491,728)**	(209,396)
	Cash paid relating to other operating activities	*5(39)(a)*	**(258,780)**	(299,624)		**(258,780)**	(295,403)
	Sub-total of cash outflows		**(10,414,092)**	(8,157,932)		**(10,396,906)**	(8,015,576)
	Net cash outflow from operating activities	*5(40)(a)*	**(389,437)**	(447,019)	*10(6)*	**(368,060)**	(440,174)
2.	Cash flows from investing activities:						
	Cash received from disposal of investment		**408,090**	700,873		**408,090**	700,873
	Net cash received from disposal of fixed assets		**27,428**	16,831		**6,051**	10,992
	Cash received relating to other investing activities	*5(39)(b)*	**20,029**	49,050		**20,029**	48,863
	Sub-total of cash inflows		**455,547**	766,754		**434,170**	760,728
	Cash paid for acquisition of fixed assets		**(141,518)**	(74,891)		**(141,518)**	(74,657)
	Cash paid for acquisition of available-for-sale financial assets		**(500,000)**	–		**(500,000)**	–
	Sub-total of cash outflows		**(641,518)**	(74,891)		**(641,518)**	(74,657)
	Net cash (outflow)/inflow from investing activities		**(185,971)**	691,863		**(207,348)**	686,071

The notes on pages 32 to 119 form part of this interim financial report.

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

	Item	Note	The Group 2011	The Group 2010	Note	The Company 2011	The Company 2010
3.	Cash flows from financing activities:						
	Cash repayments of borrowings		**(48,000)**	–		**(48,000)**	–
	Sub-total of cash outflows		**(48,000)**	–		**(48,000)**	–
	Net cash outflow from financing activities		**(48,000)**	–		**(48,000)**	–
4.	Effect of exchange rate change on cash and cash equivalents		**–**	–		**–**	–
5.	Net increase in cash and cash equivalents	*5(40)(a)*	**(623,408)**	244,844	*10(6)*	**(623,408)**	245,897
	Add: Cash and cash equivalents at the beginning of the period		**2,767,258**	1,334,367		**2,767,258**	1,327,985
6.	Cash and cash equivalents at the end of the period		**2,143,850**	1,579,211		**2,143,850**	1,573,882

These financial statements have been approved by the Board of Directors of the Company on 29 August 2011.

Lu Li-yong	**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 32 to 119 form part of this interim financial report.

Consolidated statement of changes in shareholders' equity (unaudited)

For the six months ended 30 June

(Expressed in thousands of renminbi yuan)

Item	2011 Attributable to shareholders of the Company						2010 Attributable to shareholders of the Company					
	Share capital	Capital reserve	Specific reserve	Surplus reserve	Retained earnings	Total shareholders' equity	Share capital	Capital reserve	Specific reserve	Surplus reserve	(Accumulated losses)/ Retained earnings	Total shareholders' equity
1. Balance at the beginning of the period	4,000,000	3,146,794	755	116,843	1,047,945	8,312,337	4,000,000	3,107,164	–	–	(61,754)	7,045,410
2. Changes in equity for the period (Decrease listed with "–")												
(1) Net profit	–	–	–	–	584,758	584,758	–	–	–	–	429,541	429,541
(2) Other comprehensive income	–	–	–	–	–	–	–	–	–	–	–	–
(3) Transfer within shareholders' equity	–	–	–	–	–	–	–	–	–	–	–	–
(4) Shareholders' contribution	–	–	–	–	–	–	–	–	–	–	–	–
(5) Appropriation of profit Distributions to shareholders	–	–	–	–	(120,000)	(120,000)	–	–	–	–	–	–
(6) Specific reserve Accrued for the period	–	–	539	–	–	539	–	–	324	–	–	324
3. Balance at the end of the period	4,000,000	3,146,794	1,294	116,843	1,512,703	8,777,634	4,000,000	3,107,164	324	–	367,787	7,475,275

These financial statements have been approved by the Board of Directors of the Company on 29 August 2011.

Lu Li-yong	**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 32 to 119 form part of these financial statements.

Statement of changes in shareholders' equity (unaudited)

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

Item	2011 Share capital	2011 Capital reserve	2011 Specific reserve	2011 Surplus reserve	2011 Retained earnings	2011 Total shareholders' equity	2010 Share capital	2010 Capital reserve	2010 Specific reserve	2010 Surplus reserve	2010 (Accumulated losses)/ Retained earnings	2010 Total shareholders' equity
1. Balance at the beginning of the period	4,000,000	3,146,794	755	116,843	1,051,588	8,315,980	4,000,000	3,107,164	–	–	(59,992)	7,047,172
2. Changes in equity for the period (Decrease listed with "–")												
(1) Net profit	–	–	–	–	581,596	581,596	–	–	–	–	430,457	430,457
(2) Other comprehensive income	–	–	–	–	–	–	–	–	–	–	–	–
(3) Transfer within shareholders' equity	–	–	–	–	–	–	–	–	–	–	–	–
(4) Shareholders' contribution	–	–	–	–	–	–	–	–	–	–	–	–
(5) Appropriation of profit Distributions to shareholders	–	–	–	–	-120,000	-120,000	–	–	–	–	–	–
(6) Specific reserve Accrued for the period	–	–	539	–	–	539	–	–	324	–	–	324
3. Balance at the end of the period	4,000,000	3,146,794	1,294	116,843	1,513,184	8,778,115	4,000,000	3,107,164	324	–	370,465	7,477,953

These financial statements have been approved by the Board of Directors of the Company on 29 August 2011.

Lu Li-yong	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 32 to 119 form part of these financial statements.

Notes to the financial statements

(Expressed in thousands of Renminbi yuan)

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. The immediate parent of the Company is China Petroleum & Chemical Corporation, and the ultimate controlling party of the Company is China Petrochemical Corporation.

The company was a part of the restructuring of Sinopec Asset and Management Corporation Yizheng Branch ("Yihua Group") (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. CITIC Group (formerly "China International Trust and Investment Corporation") 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.

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 Significant accounting policies and accounting estimates

(1) Basis of preparation of the financial statements

The financial statements are prepared on a going concern basis.

(2) Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements have been prepared in accordance with the requirements of "Accounting Standards for Business Enterprises – Basic Standard" and 38 specific accounting standards issued by the Ministry of Finance ("MOF") on 15 February 2006, and the application guidance of accounting standards, interpretation of ASBE, and other relevant provisions (hereinafter collectively referred to as "ASBE"). 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 2010.

(3) Accounting year

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

(4) Functional currency

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

(5) Business combination involving entities not under common control

A business combination involving enterprises 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. Where 1) the aggregate of the fair value at the acquisition date of assets transferred (including the acquirer's previously held equity interest in the acquiree), liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree, exceeds 2) the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill. Where 1) is less than 2), the difference is recognised in profit or loss for the current period. Acquisition-related costs arising from the business combination are recognised as expenses in the periods in which the costs are incurred. The difference between the fair value and the carrying amount of the assets transferred 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, allocates the cost of the business combination by recognising the acquiree's identifiable asset, liabilities and contingent liabilities at their fair value at that date.

In a business combination, the acquiree's deductible temporary differences obtained by the Group are not recognised if the deductible temporary differences do not satisfy the criteria for recognition of deferred tax assets at the acquisition date. The Group recognises the relevant deferred tax assets and reduces goodwill accordingly if within 12 months of the acquisition date, new or updated information indicates that at the acquisition date, the obtained deferred tax benefit is expected to be realised in future periods. If the goodwill is insufficient to be deducted, any remaining deferred tax benefits shall be recognised in profit or loss for the current period. All other acquired deferred tax benefit shall be included in profit or loss for the current period.

2 Significant accounting policies and accounting estimates (continued)

(6) 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 operating 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 enterprises 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, based on the fair value of those identifiable assets and liabilities at the acquisition date.

For a business combination not involving enterprises under common control and achieved in stages, the Group remeasures its previously-held equity interest in the acquiree to its fair value at the acquisition date. The difference between the fair value and the carrying amount is recognised as investment income for the current period; the amount recognised in other comprehensive income relating to the previously-held equity interest in the acquiree is reclassified as investment income for the current period.

Where the Company acquires a minority interest from a subsidiary's minority shareholders or disposes a portion of an interest in a subsidiary without a change in control, the difference between the amount by which the minority interests are adjusted and the amount of the consideration paid or received is adjusted to the capital reserve in the consolidated balance sheet. If the credit balance of capital reserve is insufficient, any excess is adjusted to retained earnings.

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.

(7) 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.

(8) 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 spot exchange rate at the balance sheet date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated to Renminbi using the foreign exchange rates at the transaction dates.

2 Significant accounting policies and accounting estimates (continued)

(9) Financial instruments

Financial instruments include cash at bank and on hand, investments in debt securities, receivables, available-for-sale financial assets, payables, loans and borrowings, and share capital, etc.

(a) 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.

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 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 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 recognized directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is removed from equity and recognised in profit or loss.

2 Significant accounting policies and accounting estimates (continued)

(9) Financial instruments (continued)

(a) Financial assets and financial liabilities (continued)

– 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.

Financial assets and financial liabilities are presented separately in balance sheet and are not offset. However, financial assets are offset against financial liabilities if both of criteria are met:

– The Group and the Company has the legally enforceable right to offset financial asset against financial liabilities, and the legal right is currently executable;

– The Group and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(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.

2 Significant accounting policies and accounting estimates (continued)

(9) Financial instruments (continued)

(d) 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.

Objective evidences of impairment are but not limited to as follows :

(a) significant financial distress of the debtor;

(b) a breach of contract, such as a default or delinquency in interest or principal payments;

(c) it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

(d) the financial assets cannot be trade in active market any more, subject to issuer's financial distress;

(e) the investors of equity instruments may not recover investment cost due to significant changes in the technological, market, economic or legal environment that have an adverse effect on the issuer of equity instruments ; and

(f) a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

For the impairment testing method of receivables, please see Note 2(10). And the impairment testing method of other financial assets is as following:

– Held-to-maturity investments

Held-to-maturity investments are assessed for impairment on an individual basis. An impairment loss in respect of a held-to-maturity investment 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.

If, after an impairment loss has been recognised on held-to-maturity investments, 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.

– Available-for-sale financial assets

Available-for-sale financial assets are assessed for impairment on an individual basis. When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value that has been recognised directly in equity is removed from equity and recognised in profit or loss even though the financial asset has not been derecognised.

If, after an impairment loss has been recognised on an available-for-sale debt instrument, the fair value of the debt instrument increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. An impairment loss recognised for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

2 Significant accounting policies and accounting estimates (continued)

(9) Financial instruments (continued)

(e) Equity instruments

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

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

(10) Impairment of 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.

(a) Recognition criteria and providing method of provision for bad and doubtful debts of individually significant receivables:

Material items are assessed for impairment on an individual basis.

Recognition or amount criteria of provision for bad and doubtful debts for individually significant receivables	Larger than 5 percent of total receivables
Accrual method of provision for bad and doubtful debts of individually significant receivables	Impairment loss in respect of individually significant receivables is calculated and provided 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.

(b) Recognition criteria and providing method of provision for bad and doubtful debts of individually insignificant receivables:

Reasons for providing provision individually for insignificant receivables	Uncollectible receivables due over 1 year or special receivables
Accrual method of provision for bad and doubtful debts of individually insignificant receivables	Impairment loss in respect of individually significant receivables is calculated and provided 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.

2 Significant accounting policies and accounting estimates (continued)

(10) Impairment of receivables (continued)

(c) Recognition criteria and providing method of provision for bad and doubtful debts of collectively receivables

Receivables with no impairment losses provided on an individual basis in (a) and (b) mentioned above, will be assessed with receivables with similar credit risk characteristics collectively.

Receivables with impairment losses provided on collective group basis are provided by ageing analysis:

Category	Accounts receivable *(%)*	Other receivables *(%)*	Prepayments *(%)*
Within 1 year	–	–	–
1 and 2 years (inclusive)	30%	30%	30%
2 and 3 years (inclusive)	60%	60%	60%
Over 3 years	100%	100%	100%

(11) Inventories

(a) Classification of inventories

Inventories include raw materials, work in progress, semi-finished goods, finished goods and reusable materials. 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.

(b) Measurement of cost of inventories

Cost of inventories is calculated using the weighted average method.

(c) Net realisable value and method of provision for diminution in the value of 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. 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.

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. Net realizable value of raw materials held for production is estimated based on the net realisable value of products produced with the materials. For the inventories held for the implementation of the sales contract or service contract, the net realisable value is calculated on the basis of contract price. When inventories on hand exceed relative contractual orders, net realisable value of the excess part is calculated based on normal price.

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.

(d) Inventory count

The Group and the Company maintain a perpetual inventory system.

(e) Amortisation of reusable materials (including low-value consumables, packaging materials, etc.)

Reusable materials (including low-value consumables, packaging materials, etc.) 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.

2 Significant accounting policies and accounting estimates (continued)

(12) Long-term equity investments

(a) Determination of initial investment cost

(i) long-term equity investment obtained through a business combination

For a long-term equity investment obtained through a business combination not involving enterprises under common control and achieved in stages, the initial cost comprises the carrying value of previously-held equity investment in the acquire immediately before the acquisition date, and the additional investment cost at the acquisition date. Any amounts recognised in other comprehensive income relating to the previously-held equity interest in the acquiree, are reclassified to profit or loss as investment income when the equity investment is disposed of.

For other long-term equity investments obtained through a business combination involving enterprises not under common control, the initial investment cost represents the aggregate of the fair values of assets transferred, liabilities assumed, and equity securities issued by the Company, in exchange for control of the acquiree.

(ii) long-term equity investment obtained otherwise than through a business combination

An investment in a subsidiary acquired otherwise than through a business combination is initially recognised at actual payment cost if the Group acquires the investment by cash, or at the fair value of the equity securities issued if an investment is acquired by issuing equity securities, or at the value stipulated in the investment contract or agreement if an investment is contributed by shareholders.

(b) Subsequent measurement

In the Company's financial statements, investments in subsidiaries are accounted for using the cost method. Other than declared but not yet distributed cash dividends or profits distribution that have been included in the price or consideration paid in obtaining the investments, the Group recognises its share of the cash dividends or profit distribution declared by the investee as investment income. The investments are stated at cost less impairment losses in the balance sheet.

In the Group's consolidated financial statements, investments in subsidiaries are accounted for in accordance with the principles described in Note 2(6).

(c) Definition of jointly control or significant influence over the investee

Joint control is the contractual agreed sharing of control over an investee, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing the control. Following matters will be considered when the Group deciding whether jointly control exist over an investee:

– Whether any investor has the power to control operating activities of the investee individually;

– Whether the decisions relating to basic operating activities of the investee require the consent of all investors;

– Whether the right of management needs to be exercised within the framework of financial and operation policy that has been agreed by all investors, when all investors authorise one investor to exert management over the daily operation of the investee by contract or agreement.

Significant influence exists when the investor has the power to influence the investee's financial and operating policy decision-making, but not able to control or jointly control, together with other parties, the formulation of these policies. Following matters will be considered when the Group and the Company deciding whether significant influence exist over an investee:

– Whether having representative in the investee's board of directors or similar authority;

– Whether participating in the investee's policy-making process;

2 Significant accounting policies and accounting estimates (continued)

(12) Long-term equity investments (continued)

(c) Definition of jointly control or significant influence over the investee (continued)

– Whether having significant transactions with the investee;

– Whether having representative in the investee's management;

– Whether providing key technique to investee, and etc.

(d) Impairment of long-term equity investments

For impairment method of long-term equity investment in subsidiaries and joint venture, please see Note 2(16).

(13) Fixed assets

(a) Recognition of fixed assets

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.

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 recognition of initial cost for self-constructed fixed assets is described Note 2(14).

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.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

(b) Depreciation method of fixed assets

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:

Category	**Estimated useful lives**	**Residual values**	**Depreciation rates**
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.

(c) Method of impairment assessment and the basis on which the impairment is provided are described in Note 2(16).

2 Significant accounting policies and accounting estimates (continued)

(13) Fixed assets (continued)

(d) Disposal of fixed assets

The carrying amount of a fixed asset shall be derecognised either:

– on disposal; or

– no future economic benefits are expected to be generated from its use or disposal.

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.

(14) Construction in progress

The cost of self-constructed fixed assets includes the cost of materials, direct labour any other costs directly attributable to bringing the asset to working condition for its intended use.

Self-constructed fixed asset is transferred to fixed assets when it is ready for its intended use. Otherwise, it is stated in construction in progress and no depreciation is provided. Construction in progress is stated in the balance sheet at cost less impairment losses (see Note 2(16)).

(15) 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 2(16)). 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:

Item	**Amortisation periods**
Land use right	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 the development. Capitalised development costs are stated at cost less impairment losses (see Note 2(16)). Other development expenditures are recognised as expenses in the period in which they are incurred.

2 Significant accounting policies and accounting estimates (continued)

(16) Impairment of other assets other than inventories, financial assets and other long-term equity investments

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

If any indication exists that an asset may be impaired, the recoverable amount of the asset is estimated.

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 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.

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 or 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, 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.

2 Significant accounting policies and accounting estimates (continued)

(17) Revenue

Revenue is the gross inflow of economic benefit arising in the course of the Group's and the Company's ordinary activities when the inflows result in increase in shareholders' 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.

(b) Rendering of services

Revenue from rendering of services is measured at the fair value of the considerations received or receivable under the contract or agreement.

At the balance sheet date, where 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.

(18) 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 capitalised as part of the cost of assets or 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.

2 Significant accounting policies and accounting estimates (continued)

(18) 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 each month. The contributions are capitalised as part of the 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.

(19) Specific reserve

The Group and the Company accrued Safety Fund according to the national regulation for high-risk industry. The Safety Fund accrued is charged to the cost of related products, and the accrual balance is recorded in the "Specific Reserve" account. As using Safety Fund, if it is profit or loss related, the cost of expenditure is directly charged against the Specific reserves. While if it is capital expenditure related, the cost being used is recorded in "Construction in Progress" account, and transferred to fixed assets when it is ready for its intended use. Meanwhile, the cost of fixed asset is offset against the specific reserves and the same amount of accumulated depreciation is recognised, then the fixed asset is no longer depreciated in its useful life. The ending balance of specific reserves is reflected in "Specific Reserve" item under Shareholders' Equity in the balance sheet.

(20) 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 any 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.

2 Significant accounting policies and accounting estimates (continued)

(21) Deferred tax assets and liabilities

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).

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.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

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 offset current tax liabilities and assets, and

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

  – the same taxable entity; or

  – different taxable entities which intend either 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.

(22) 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.

(23) Related parties

If a party has 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 or joint control 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 or joint control over both the enterprises or individuals and the Group;

2 Significant accounting policies and accounting estimates (continued)

(23) Related parties (continued)

(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 or jointly controlled 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, 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 and supervisors of the Company and close family members of such individuals;

(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 an individual assumes the position of a director or senior executive.

(24) Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's and the Company's internal organisation, management requirements and internal reporting system. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's and the Company's management to make decisions about resource to be allocated to the segment and assess its performance, and for which financial information regarding financial position, results of operations and cash flows is available.

Two or more operating segments may be aggregated into a single operating segment if the segments have same or similar economic characteristics and are similar in respect of the nature of each products and service, the nature of production processes, the type or class of customers for the products and services, the methods used to distribute the products or provide the services, and the nature of the regulatory environment.

Inter-segment revenues are measured on the basis of comparable market price for such transactions for segment reporting, and segment accounting policies are consistent with those for the consolidated financial statements.

2 Significant accounting policies and accounting estimates (continued)

(25) 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 5(17) and 9(2) 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 2(10), 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 other assets other than inventories, financial assets and other long-term equity investments

As described in Note 2(16), other assets other than inventories, financial assets and other long-term equity investments 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 judgments are exercised over the asset (asset group)'s production, selling price, related operating expenses and discount 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.

(c) Depreciation and amortisation

As described in Note 2(13) and (15) 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 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 rate of depreciation or amortisation is revised.

(d) Provision for diminution in value of inventories

As described in Note 2(11), 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.

3 Taxation

Major taxes and tax rates

Tax	Tax basis	Tax Rate
Value added tax ("VAT")	VAT payable is calculated at the applicable tax rate on taxable income deducted by input VAT	13% or 17%
Business tax	Calculated by taxable income	3% or 5%
Enterprise income tax ("EIT")	Calculated by taxable income	25%
Urban maintenance and construction tax	Calculated by actual payment of business tax and VAT payable	7%
Education fee surcharge	Calculated by actual payment of business tax and VAT payable	4% or 5%
Land use tax	Calculated by the actual area of land occupied	RMB 4 per square meter

The EIT rate applicable to the Company and its subsidiary for the period is 25% (2010: 25%).

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

4 Business combinations and the consolidated financial statements

Status of subsidiary

Name	Type of subsidiary	Registration place	Nature	Registered Capitall *RMB'000*	Business scope	Percentage of equity held directly by the Company *(%)*	Percentage of voting rights held by the company *(%)*	Within the scope of consolidation	Minority interests at year end	Losses attributable to minority shareholders during the year	The excess amount of the losses attributable to the minority shareholders of a subsidiary compared with the minority shareholders' interest in the equity of the subsidiary
YCFC Jingwei Fibre Company Limited	Wholly-owned subsidiary	Yizheng, Jiangsu Province	Company Limited	483,672	Manufacturing, processing and sale of differentiated polyester textile filament products	100	100	Yes	None	Not applicable	Not applicable

YCFC Jingwei was established in Yizheng City, Jiangsu Province on 28 July 2005, and is principally engaged in manufacturing, processing and sale of differentiated polyester textile filament products, conducting research in polyester textile products, sales of self-produced chemical plastic materials and provision of after-sales service.

5 Notes to consolidated financial statements

(1) Cash at bank and on hand

RMB'000

Item	At 30 June 2011 Foreign Currency	At 30 June 2011 Exchange Rate	At 30 June 2011 RMB equivalents	At 31 December 2010 Foreign Currency	At 31 December 2010 Exchange Rate	At 31 December 2010 RMB equivalents
Cash on hand:						
Renminbi			**16**			23
Cash at bank:						
Renminbi			**1,452,958**			1,759,018
US Dollars	**47**	**6.4716**	**302**	4,851	6.6227	32,128
Deposits with related companies:						
Renminbi			**690,574**			678,219
Total			**2,143,850**			2,469,388

As at 30 June 2011 and 31 December 2010, no deposits of the Group were pledged.

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.

(2) Investments held for trading

RMB'000

Category	At 30 June 2011	At 31 December 2010
Debt investments held for trading	**–**	699,713

As at 30 June 2011, no financial instrument was held by the Group.

Investment held for trading as at 31 December 2010 represented short-term interest bearing and discounting national bonds that due within one year. The fair value of investments held for trading is determined by reference to the open market price of short-term national bonds as at balance sheet date.

(3) Bills receivable

(a) Bills receivable by category:

RMB'000

Category	At 30 June 2011	At 31 December 2010
Bank acceptance bills	**2,435,963**	1,414,970

All of the above bills are due within six months.

At 30 June 2011 and 31 December 2010, the Group did not have outstanding discounted bank acceptance bills (with recourse). The Group's outstanding endorsed bank acceptance bills (with recourse) amounted to RMB 458,504,000 (31 December 2010: RMB 465,658,000). These discounted or endorsed bills are due by 31 December 2011 (31 December 2010: due by 30 June 2011).

As at 30 June 2011 and 31 December 2010, 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.

5 Notes to consolidated financial statements (continued)

(3) Bills receivable (continued)

(b) As at 30 June 2011, the top five items of bills receivable with largest amounts that have been endorsed but still undue are as follows:

RMB'000

Issuer		Date of issuance	Due date	Amount	Note
1.	Entity A	30/05/2011	26/08/2011	40,000	Bank acceptance bills
2.	Entity B	30/05/2011	26/08/2011	40,000	Bank acceptance bills
3.	Entity C	01/04/2011	01/07/2011	22,517	Bank acceptance bills
4.	Entity D	26/04/2011	26/07/2011	14,385	Bank acceptance bills
5.	Entity E	27/04/2011	27/07/2011	14,000	Bank acceptance bills
Total				130,902	

(4) Accounts receivable

(a) Accounts receivable by customer type:

RMB'000

Category	**At 30 June 2011**	At 31 December 2010
Amounts due from related parties	**5,096**	3,225
Amounts due from third parties	**102,965**	71,692
Subtotal	**108,061**	74,917
Less: Provision for bad and doubtful debts	**–**	–
Total	**108,061**	74,917

Except for listed in Note 6(5), 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.

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

RMB'000

Category	**30 June 2011**	31 December 2010
Within 1 year (inclusive)	**108,061**	74,917
1 and 2 years (inclusive)	**–**	–
2 and 3 years (inclusive)	**–**	–
Over 3 years	**–**	–
Less: Provision	**–**	–
Total	**108,061**	74,917

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

5 Notes to consolidated financial statements (continued)

(4) Accounts receivable (continued)

(c) Accounts receivable by category:

RMB'000

Category	Note	30 June 2011 Carrying amount Amount	30 June 2011 Carrying amount Percentage *(%)*	30 June 2011 Provision Amount	30 June 2011 Provision Percentage *(%)*	31 December 2010 Carrying amount Amount	31 December 2010 Carrying amount Percentage *(%)*	31 December 2010 Provision Amount	31 December 2010 Provision Percentage *(%)*
Accounts receivable with provision provided collectively*		108,061	100	–	–	74,917	100	–	–

Note: The category includes accounts receivable without impairment by individual testing.*

Accounts receivable by currency:

RMB'000

	30 June 2011 Foreign currency	30 June 2011 Exchange rate	30 June 2011 RMB equivalent	31 December 2010 Foreign currency	31 December 2010 Exchange rate	31 December 2010 RMB equivalent
RMB			54,318			24,688
USD	8,304	6.472	53,743	7,584	6.623	50,229
Total			108,061			74,917

During the period ended 30 June 2011, the Group had no individually significant accounts receivable fully or substantially provided for.

The Group had no individually significant recovery of bad debts which were fully or substantially provided for in prior years.

There is no actual write-off of accounts receivable during the period.

As at 30 June 2011, the Group had no individually significant accounts receivable due over 3 years.

(d) As at 30 June 2011, accounts receivable due from five biggest debtors are as follows:

RMB'000

Name	Relationship	Amount	Ageing	Percentage of total accounts receivable *(%)*
1. Entity A	Third Party	10,224	Within 6 months	9.46
2. Entity B	Third Party	9,319	Within 6 months	8.62
3. Entity C	Third Party	8,346	Within 6 months	7.72
4. Entity D	Third Party	8,333	Within 6 months	7.71
5. Entity E	Third Party	8,175	Within 6 months	7.57
Total		44,397		41.08

5 Notes to consolidated financial statements (continued)

(4) Accounts receivable (continued)

(e) Amounts due from related parties:

Name	Relationship	Amount	*RMB'000* Percentage *(%)*
CPC and its subsidiaries	With a common ultimate holding company	5,096	4.72

(5) Other receivables

(a) Other receivables by customer type:

Category	**30 June 2011**	*RMB'000* 31 December 2010
Amounts due from related parties	**3,190**	8,688
Amounts due from third parties	**14,769**	27,137
Subtotal	**17,959**	35,825
Less: Provision for bad and doubtful debts	**6,953**	5,840
Total	**11,006**	29,985

Except for listed in Note 6(5), 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.

(b) The ageing analysis of other receivable is as follows:

Category	**30 June 2011**	*RMB'000* 31 December 2010
Within 1 year (inclusive)	**7,613**	20,765
1 and 2 years (inclusive)	**26**	13,172
2 and 3 years (inclusive)	**8,435**	–
Over 3 years	**1,885**	1,888
Less: Provision	**6,953**	5,840
Total	**11,006**	29,985

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

5 Notes to consolidated financial statements (continued)

(5) Other receivables (continued)

(c) Other receivables by category:

RMB'000

Category	Note	30 June 2011				31 December 2010			
		Carrying amount		Provision		Carrying amount		Provision	
		Amount	Percentage *(%)*	Amount	Percentage *(%)*	Amount	Percentage *(%)*	Amount	Percentage *(%)*
Other receivables with provision provided collectively*	*(d)*	**17,959**	**100**	**6,953**	**100**	35,825	100	5,840	100

Note: The category includes other receivables without impairment by individual testing.*

The Group had no pledge for other receivables with provision mentioned above.

During the period, the Group had no individually significant other receivables fully or substantially provided for.

The Group had no individually significant recovery of bad debts which were fully or substantially provided for in prior years.

There is no actual write-off of other receivables during the period.

As at 30 June 2011, the Group had no individually significant other receivables due over 3 years.

(d) Other receivables with provision provided collectively by aging analysis:

RMB'000

Ageing	30 June 2011			31 December 2010		
	Carrying amount			Carrying amount		
	Amount	Percentage *(%)*	Provision	Amount	Percentage *(%)*	Provision
Within 1 year (inclusive)	**7,613**	**42.39**	**–**	20,765	57.96	–
1 and 2 years (inclusive)	**26**	**0.14**	**7**	13,172	36.77	3,952
2 and 3 years (inclusive)	**8,435**	**46.97**	**5,061**	–	–	–
Over 3 years	**1,885**	**10.50**	**1,885**	1,888	5.27	1,888
Total	**17,959**		**6,953**	35,825		5,840

(e) As at 30 June 2011, other receivables due from five biggest debtors are as follows:

RMB'000

Name	Relationship	Amount	Ageing	Percentage *(%)*
1. Entity A	Third party	5,612	1 and 2 years	31.25
2. Entity B	Third party	2,840	1 and 2 years	15.81
3. Entity C	With a common ultimate holding company	1,949	Within 6 months	10.85
4. Entity D	Third party	1,466	Within 6 months	8.17
5. Entity E	Third party	932	Within 6 months	5.19
Total		12,799		71.27

5 Notes to consolidated financial statements (continued)

(5) Other receivables (continued)

(f) Amounts due from related parties:

RMB'000

Name	Relationship	Amount	Percentage *(%)*
CPC and its subsidiaries A	With a common ultimate holding company	2,840	15.81
CPC and its subsidiaries B	With a common ultimate holding company	350	1.95
Total		3,190	17.76

(6) Prepayments

(a) Prepayments by category:

RMB'000

Item	**30 June 2011**	31 December 2010
Prepayments to related parties	**21,433**	–
Prepayments to third parties	**11,131**	6,208
Subtotal	**32,564**	6,208
Less: Provision for bad and doubtful debts	**–**	–
Total	**32,564**	6,208

Except for listed in Note 6, no amount due from shareholders who hold 5% or more of the voting rights of the Company is included in the above balance of prepayments.

(b) Prepayments by ageing:

RMB'000

Ageing	**30 June 2011**		31 December 2010	
	Amount	**Percentage *(%)***	Amount	Percentage *(%)*
Within 1 year (inclusive)	**32,564**	**100**	6,208	100
1 and 2 years (inclusive)	**–**	**–**	–	–
2 and 3 years (inclusive)	**–**	**–**	–	–
Over 3 years	**–**	**–**	–	–
Total	**32,564**	**–**	6,208	–

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

5 Notes to consolidated financial statements (continued)

(6) Prepayments (continued)

(c) As at 30 June 2011, prepayments due from five biggest debtors are as follows:

RMB'000

Name	Relationship	Amount	Percentage *(%)*	Ageing	Note
1. Entity A	With a common parent company	21,433	65.82	Within 3 months	Prepayment of raw materials
2. Entity B	Third party	3,000	9.21	Within 1 year	Prepayment of freight
3. Entity C	Third party	2,733	8.39	Within 3 months	Prepayment of project construction
4. Entity D	Third party	1,770	5.44	Within 3 months	Prepayment of project construction
5. Entity E	Third party	1,560	4.79	Within 3 months	Prepayment of equipments
Total		30,496	93.65		

(7) Inventories

(a) Inventories by category:

RMB'000

Item	**30 June 2011** Cost	Provision	Carrying amount	31 December 2010 Cost	Provision	Carrying amount
Raw materials	**814,073**	**4,076**	**809,997**	686,522	4,076	682,446
Work in progress	**117,769**	**–**	**117,769**	98,159	–	98,159
Finished goods	**648,864**	**20,896**	**627,968**	483,436	20,896	462,540
Spare parts and consumables	**114,992**	**25,171**	**89,821**	106,133	30,509	75,624
Total	**1,695,698**	**50,143**	**1,645,555**	1,374,250	55,481	1,318,769

All the above inventories are purchased or self-manufactured.

As at 30 June 2011 and 31 December 2010, no borrowing costs of the Group were capitalised in the closing balance of the year of inventories.

As at 30 June 2011 and 31 December 2010, the above inventories were not pledged or guaranteed.

5 Notes to consolidated financial statements (continued)

(7) Inventories (continued)

(b) An analysis of the movements of inventories for the year is as follows:

RMB'000

Inventory category	Balance at the beginning of the period	Additions during the period	Reductions during the period	Balance at the end of the period
Raw materials	686,522	8,873,277	8,745,726	814,073
Work in progress	98,159	9,201,059	9,181,449	117,769
Finished goods	483,436	9,181,449	9,016,021	648,864
Spare parts and consumables	106,133	66,789	57,930	114,992
Subtotal	1,374,250	27,322,574	27,001,126	1,695,698
Less: Provision for diminution in value of inventories	55,481	–	5,338	50,143
Total	1,318,769	27,322,574	26,995,788	1,645,555

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

RMB'000

Inventory category	Balance at the beginning of the period	Provision made for the period	Written back during the period Reversal	Write off	Balance at the end of the period
Raw materials	4,076	–	–	–	4,076
Finished goods	20,896	–	–	–	20,896
Spare parts and consumables	30,509	–	–	5,338	25,171
Total	55,481	–	–	5,338	50,143

The Group wrote off provision of RMB 5,338,000 as a result of sales of spares parts that had been made provision.

(8) Available-for-sale financial assets

(a) Amounts held for available-for-sale financial assets

RMB'000

Item	**30 June 2011**	31 December 2010
Others	**500,000**	–

(b) The impairment of available-for-sale financial assets

As at 30 June 2011, available-for-sale financial assets are assessed for impairment on an individual basis by the Group. When the fair value of financial assets is far below the cost and the decrease is non-temporary, and negative changes of the markets which the financial assets are associated with show that the investment cost couldn't be recovered probably, the Group will recognise impairment loss and charge it to profit or loss according to accounting policy in Note 2, 9(d).

5 Notes to consolidated financial statements (continued)

(9) Other current assets

RMB'000

Item	30 June 2011	31 December 2010
Prepaid VAT	**30,035**	58,896
Prepaid urban maintenance and construction tax	**–**	3,547
Total	**30,035**	62,443

(10) Fixed Assets

(a) Fixed assets movement:

RMB'000

Item	Balance at the beginning of the period	Additions during the period		Reductions during the period	Balance at the end of the period
Cost	13,172,187		28,482	92,804	13,107,865
Plant and buildings	2,154,445		3,692	79	2,158,058
Machinery and equipment	10,218,936		22,137	87,762	10,153,311
Motor vehicles, and other fixed assets	798,806		2,653	4,963	796,496
		Increase	**Provide**		
Accumulated depreciation	8,912,684	–	183,214	46,831	9,049,067
Plant and buildings	1,049,256	–	37,172	77	1,086,351
Machinery and equipment	7,258,537	–	133,633	42,758	7,349,412
Motor vehicles, and other fixed assets	604,891	–	12,409	3,996	613,304
Net carrying amounts	4,259,503				4,058,798
Plant and buildings	1,105,189				1,071,707
Machinery and equipment	2,960,399				2,803,899
Motor vehicles, and other fixed assets	193,915				183,192
Provision for impairment	846,394		5,113	42,774	808,733
Plant and buildings	8,467		811	–	9,278
Machinery and equipment	828,847		2,965	42,371	789,441
Motor vehicles, and other fixed assets	9,080		1,337	403	10,014
Carrying amounts	3,413,109				3,250,065
Plant and buildings	1,096,722				1,062,429
Machinery and equipment	2,131,552				2,014,458
Motor vehicles, and other fixed assets	184,835				173,178

The depreciation charge of the Group is RMB 183,214,000 during the period.

The amount of fixed assets transferred from construction in progress during the period was RMB 28,482,000.

According to the requirements from Sinopec Corp, the Group provided impairment of equipments to be disposed of RMB 5,113,000 as at 30 June 2011.

As at 30 June 2011 and 31 December 2010, the above fixed assets were not pledged or guaranteed.

As at 30 June 2011 and 31 December 2010, there were no significant fixed assets to be disposed of.

5 Notes to consolidated financial statements (continued)

(10) Fixed Assets (continued)

(b) Temporarily idle fixed assets:

RMB'000

Item	Cost	Accumulated depreciation	Provision for impairment	Carrying amounts
Plant and buildings	**382**	**250**	120	12
Machinery and equipment	**47,136**	**22,894**	22,744	1,498
Motor vehicles, and other fixed assets	**8,916**	**7,801**	848	267
Total	**56,434**	**30,945**	23,712	1,777

(11) Construction in progress

(a) Construction in progress:

RMB'000

Item	**At 30 June 2011** Cost	Provision for impairment	Carrying amounts	At 31 December 2010 Cost	Provision for impairment	Carrying amounts
100 thousand tone/year 1,4-butanediol project	**422,041**	**–**	**422,041**	350,019	–	350,019
3,000 tonne/year high performance PV Polyvinyl fibre project-I	**147,937**	**–**	**147,937**	79,981	–	79,981
Improvements of existing plants and equipment	**62,719**	**–**	**62,719**	68,043	–	68,043
Total	**632,697**	**–**	**632,697**	498,043	–	498,043

(b) Movement of significant construction in progress:

RMB'000

Item	Budget	Balance at the beginning of the period	Addition during the period	Transfer to fixed assets	Other decrease	Percentage of input to budget *(%)*	Progress *(%)*	Sources of funds	Balance at the end of the period
3,000 tonne/year high performance PV Polyvinyl fibre project-I	240,580	79,981	67,956	–	–	61	70	Own fund	147,937
100 thousand tone/ year 1,4-butanediol project	1,580,630	350,019	72,022	–	–	27	27	Own fund	422,041
Improvements of existing plants and equipment	355,410	68,043	23,158	28,482	–	58	–	Own fund	62,719
Total		498,043	163,136	28,482	–				632,697

As at 30 June 2011 and 31 December 2010, no borrowing costs of the Group were capitalised in the closing balance of the period of construction in progress.

5 Notes to consolidated financial statements (continued)

(11) Construction in progress (continued)

(c) Project progress of significant construction in progress

Item	Project progress	Note
3,000 tonne/year high performance PV Polyvinyl fibre project-I	70%	During equipment commissioning period, construction is not completed yet and still not ready for the intended use.
100 thousand tone/year 1,4-butanediol project	27%	Land clearing and leveling has been completed, construction is being carried out.

(12) Intangible assets

RMB'000

Item	Balance at the beginning of the period	Additions during the period	Reductions during the period	Balance at the end of the period
Cost	757,451	–	–	757,451
Land use right	406,123	–	–	406,123
Technology right	208,893	–	–	208,893
Patent right	142,435	–	–	142,435
Accumulated amortisation	410,685	14,752	–	425,437
Land use right	117,418	4,240	–	121,658
Technology right	154,491	10,445	–	164,936
Patent right	138,776	67	–	138,843
Net carrying amounts	346,766			332,014
Land use right	288,705			284,465
Technology right	54,402			43,957
Patent right	3,659			3,592
Provision for impairment	–	–	–	–
Land use right	–	–	–	–
Technology right	–	–	–	–
Patent right	–	–	–	–
Carrying Amounts	346,766			332,014
Land use right	288,705			284,465
Technology right	54,402			43,957
Patent right	3,659			3,592

The amortisation charge of the Group is RMB 14,752,000 during the period.

As at 30 June 2011 and 31 December 2010, no borrowing costs of the Group were capitalised in the carrying amounts of intangible assets.

As at 30 June 2011 and 31 December 2010, the above intangible assets were not pledged or guaranteed.

5 Notes to consolidated financial statements (continued)

(13) Deferred tax assets

(a) Recognised deferred tax assets

RMB'000

Item	30 June 2011 Deductable temporary difference	30 June 2011 Deferred tax assets	31 December 2010 Deductable temporary difference	31 December 2010 Deferred tax assets
Deferred tax assets:				
Bad debts provisions for other receivables	**6,953**	**1,738**	5,840	1,460
Provision for diminution in value of inventories	**30,251**	**7,563**	35,589	8,897
Provision for long-term equity investment in and receivables from the subsidiary	**219,483**	**54,871**	219,483	54,871
Provision for impairment against fixed assets	**390,633**	**97,658**	433,632	108,408
Deferred income	**19,738**	**4,934**	20,244	5,061
Sales discount	**37,727**	**9,432**	46,820	11,705
Changes in fair value	**–**	**–**	310	78
Accrued expense	**20,120**	**5,030**	25,645	6,411
Total	**724,905**	**181,226**	787,563	196,891

(b) Unrecognised deferred assets

RMB'000

Item	30 June 2011 The Company	30 June 2011 YCFC Jingwei	31 December 2010 The Company	31 December 2010 YCFC Jingwei
Deductible temporary difference	**–**	**213,610**	–	275,604
Cumulative unutilised tax losses	**–**	**386,026**	–	323,550
Total	**–**	**599,636**	–	599,154

(c) Under current tax legislation, the aforesaid unutilised tax losses will be expired in the following years:

RMB'000

Years	30 June 2011	31 December 2010
2011	**76,681**	76,681
2012	**49,054**	49,054
2013	**76,159**	76,159
2014	**73,894**	73,894
2015	**47,762**	47,762
2016	**62,476**	–
Total	**386,026**	323,550

5 Notes to consolidated financial statements (continued)

(14) Provisions for impairment

RMB'000

Item	*Note*	Balance at the beginning of the period	Addition during the period	Decrease during the period: Reversal	Decrease during the period: Write-off	Balance at the end of the period
Provisions for bad and doubtful debts	*5 (5)*	5,840	1,683	570	–	6,953
Provisions for diminution in value of inventories	*5 (7)*	55,481	–	–	5,338	50,143
Provisions for impairment of fixed assets	*5 (10)*	846,394	5,113	–	42,774	808,733
Total		907,715	6,796	570	48,112	865,829

For the details of impairment losses of different assets, please refer to corresponding notes.

(15) Accounts payable

Accounts payable by category:

RMB'000

Item	**30 June 2011**	31 December 2010
Amounts due to related parties	**1,328,326**	1,075,252
Amounts due to third parties	**229,169**	268,583
Total	**1,557,495**	1,343,835

Accounts payable by currency:

RMB'000

	30 June 2011			31 December 2010		
	Foreign currency	**Exchange rate**	**RMB equivalent**	Foreign currency	Exchange rate	RMB equivalent
RMB			**820,263**			392,362
USD	**113,911**	**6.472**	**737,232**	143,662	6.623	951,473
Total			**1,557,495**			1,343,835

As at 30 June 2011, there were no individually significant balances aged over one year included in the Group's accounts payable.

Except for listed in Note 6, 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.

5 Notes to consolidated financial statements (continued)

(16) Advances from customers

Advances from customers by category:

RMB'000

Item	30 June 2011	31 December 2010
Amounts due to related parties	–	3,320
Amounts due to third parties	324,557	294,508
Total	324,557	297,828

As at 30 June 2011, there were no individually significant balances aged over one year included in the Group's advances from customers.

Except for listed in Note 6, no amount due to shareholders who hold 5% or more of the voting rights of the Company is included in the balances of advances from customers.

(17) Employee benefits payable

RMB'000

Item	Balance at the beginning of the period	Arisen during the period	Paid during the period	Balance at the end of the period
Salaries, bonuses and allowances	57,912	364,063	209,862	212,113
Staff welfare fees	–	11,268	11,268	–
Social insurances				
– Basic medical insurance premium	–	16,521	16,521	–
– Basic pension insurance premium	–	50,557	41,057	9,500
– Unemployment insurance premium	–	4,133	4,133	–
– Work injury and maternity insurance premium	–	1,593	1,358	235
– Supplementary pension insurance premium	13,430	12,735	16,011	10,154
– Supplementary medical insurance premium	–	5,904	5,904	–
Housing fund	–	26,098	26,098	–
Termination benefits (including internal retirement fees)	–	93	93	–
Others				
– Labour union fee and staff education fee	102	5,760	5,102	760
– Non-monetary staff welfare	–	–	–	–
– Others	–	28,564	28,529	35
Total	71,444	527,289	365,936	232,797

Employee benefits payable of the Group did not include any delayed payment as at 30 June 2011.

As at 30 June 2011, the "Termination benefits" includes compensation for cancellation of employment contracts of RMB 93,000.

5 Notes to consolidated financial statements (continued)

(17) Employee benefits payable (continued)

As stipulated by the regulations of the PRC, the Group and the Company participate 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	
		2011	2010
Yizheng Municipal Government, Jiangsu Province	Employees of the Group and the Company	**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 PRC laws and regulations and relevant rules of CPC, the Group and the Company have 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 2011 was 5% (2010: 5%).

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 the period ended 30 June 2011, in accordance with the Group's employee reduction plans, the Group incurred RMB 93,000 (2010: RMB 592,000) on the reduction of 1 (2010: 11) employee, which were mainly included in "General and administrative expenses".

(18) Taxes payable

RMB'000

Item	**30 June 2011**	31 December 2010
EIT	**39,092**	109,937
Business tax	**105**	100
Individual income tax	**2,667**	5,900
Property tax	**–**	2,788
Education fee surcharge	**4,016**	4,091
Others	**12**	3,011
Total	**45,892**	125,827

5 Notes to consolidated financial statements (continued)

(19) Dividends payable

RMB'000

Name	2011	2010	Reason for overdue more than 1 year
Sinopec Corp.	**50,400**	–	NA
CITIC	**21,600**	–	NA
Total	**72,000**	–	

(20) Other payables

Other payables by category:

RMB'000

Item	30 June 2011	31 December 2010
Amounts due to related parties	**24,028**	13,126
Amounts due to third parties	**248,895**	346,561
Total	**272,923**	359,687

As at 30 June 2011, there were no individually significant balances aged over one year included in the Group's other payables.

Except for listed in Note 6, no amount due to shareholders who hold 5% or more of the voting rights of the Company is included in the balances of other payables.

(21) Deferred income

RMB'000

Item	Balance at the beginning of the period	Additions during the period	Reductions during the period	Balance at the end of the period
Government grants	20,244	–	506	19,738

Deferred income mainly includes government grants received in relation to assets, and is recognised evenly in the income statement over the assets' useful lives.

5 Notes to consolidated financial statements (continued)

(22) Share capital

RMB'000

	Balance at the beginning of the period	Increase/Decrease during the period New issue	Stock dividend	Equity Fund	Others	Subtotal	Balance at the end of the period
2,400,000,000 "Domestic non-public legal person A" shares	2,400,000	–	–	–	–	–	2,400,000
200,000,000 "Social public A" shares	200,000	–	–	–	–	–	200,000
1,400,000,000 "H" shares	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.

(23) Capital reserve

RMB'000

Item	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period
Share premium	3,078,825	–	–	3,078,825
Other capital reserve	67,969	–	–	67,969
Including: government capital contribution	39,630	–	–	39,630
Total	3,146,794	–	–	3,146,794

(24) Specific reserve

RMB'000

Item	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period
Specific reserve	755	539	–	1,294

In accordance with PRC regulations, the Group and the Company appropriated Safety Fund to "Specific Reserve" account for manufacturing equipments in high-risk environment, which was recongnised as part of the cost of related products. During the year, the Group and the Company had not used any part of Safety Fund.

5 Notes to consolidated financial statements (continued)

(25) Surplus reserve

RMB'000

Item	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period
Statutory surplus reserve	116,843	–	–	116,843

(26) Retained earnings

RMB'000

Item	Amount	The proportion of extraction or distribution
Accumulated profits at the beginning of the period	1,047,945	–
Add: Profit attribute to parent company's Shareholders	584,758	–
Less: dividend appropriated	120,000	The company pays dividend of RMB 0.03 for each share
Accumulated profit at the end of the period	1,512,703	–

(27) Operating income and operating costs

(a) Operating income and operating costs

RMB'000

Item	For the six months ended 30 June 2011	2010
Operating income from principal activities	**10,243,669**	7,532,251
Other operating income	**88,918**	64,266
Operating costs	**9,095,394**	6,913,950

(b) Operating income and operating costs by industries:

RMB'000

Industry	For the six months ended 30 June 2011 Operating income	2011 Operating costs	2010 Operating income	2010 Operating costs
Chemical fibre	**10,332,587**	**9,095,394**	7,596,517	6,913,950

5 Notes to consolidated financial statements (continued)

(27) Operating income and operating costs (continued)

(c) Operating income and operating costs by products:

				RMB'000
	For the six months ended 30 June			
	2011		2010	
Product	**Operating income**	**Operating costs**	Operating income	Operating costs
Polyester chips	**3,636,860**	**3,123,967**	2,861,501	2,584,417
Bottle-grade polyester chips	**2,017,508**	**1,825,680**	1,355,044	1,244,462
Staple fibre and hollow fibre	**3,508,082**	**3,075,438**	2,379,865	2,127,836
Filament	**988,929**	**926,667**	837,774	786,305
Others	**181,208**	**143,642**	162,333	170,930
Total	**10,332,587**	**9,095,394**	7,596,517	6,913,950

(d) Operating income and operating costs by regions:

				RMB'000
	For the six months ended 30 June			
	2011		2010	
Region's name	**Operating income**	**Operating costs**	Operating income	Operating costs
Mainland	**9,908,978**	**8,713,214**	7,110,027	6,457,705
Hong Kong, Macau, Taiwan, and overseas	**423,609**	**382,180**	486,490	456,245
Total	**10,332,587**	**9,095,394**	7,596,517	6,913,950

(e) Revenue from the top five customers for the period ended 30 June 2011 is set out as follows:

		RMB'000
Name	**Operating income**	**Percentage of total operating income** *(%)*
1. Customer A	570,293	5.52
2. Customer B	408,808	3.96
3. Customer C	301,202	2.92
4. Customer D	261,026	2.53
5. Customer E	177,952	1.72
Total	1,719,281	16.65

5 Notes to consolidated financial statements (continued)

(28) Business taxes and surcharges

RMB'000

Item	For the six months ended 30 June 2011	2010	Taxation basis and rates
Business tax	**284**	448	3% or 5% of taxable income
Urban maintenance and construction tax	**14,843**	12,080	7% of VAT and business tax paid
Education fee surcharge	**7,226**	6,902	4% or 5% of VAT and business tax paid
Total	**22,353**	19,430	

(29) Selling and distribution expenses

RMB'000

Item	For the six months ended 30 June 2011	2010
Freight	**76,572**	68,354
Commission fee	**21,920**	22,001
Other selling expenses	**10,446**	7,976
Total	**108,938**	98,331

(30) General and administrative expenses

RMB'000

Item	For the six months ended 30 June 2011	2010
Salaries	**161,955**	101,630
Repair and Maintenance fee	**154,123**	151,059
Other general and administrative expenses	**29,114**	32,783
Community service fee	**19,486**	23,119
Tax	**17,808**	16,743
Technology development fee	**15,939**	14,917
Depreciation and amortisation	**15,091**	15,562
Total	**413,516**	355,813

5 Notes to consolidated financial statements (continued)

(31) Net financial income

RMB'000

Item	For the six months ended 30 June 2011	2010
Interest expenses from discounting bills	**–**	1,878
Interest income from deposits	**(20,029)**	(21,300)
Net exchange gains	**(2,956)**	(2,102)
Other financial expenses	**1,351**	659
Total	**(21,634)**	(20,865)

(32) Gains from changes in fair value

RMB'000

Source of gains from changes in fair value	For the six months ended 30 June 2011	2010
Investments held for trading		
– changes in fair value during the year	**(310)**	–

(33) Investment income

Investment income by category:

RMB'000

Item	For the six months ended 30 June 2011	2010
Proceeds from sale of available-for-sale financial assets	**–**	873
Proceeds from sale of financial assets held for trading	**6,557**	–
Total	**6,557**	873

(34) Impairment losses

RMB'000

Item	For the six months ended 30 June 2011	2010
Provision of bad and doubtful debts of accounts receivable, prepayments and other receivables	**1,113**	1,118
Provisions for diminution in value of inventories	**(5,338)**	–
Provisions for fixed assets impairment	**5,113**	300
Total	**888**	1,418

5 Notes to consolidated financial statements (continued)

(35) Non-operating income

(a) Non-operating income by category:

RMB'000

Item	*Note*	For the six months ended 30 June **2011**	2010	**Extraordinary gains for the period**
Gains on disposal of non-current assets		**24,299**	10,199	24,299
Including: Gains on disposal of fixed assets		**24,299**	10,199	24,299
Government grants	*(b)*	**580**	584	580
Reversal of loss on breach of contracts		**29,661**	–	29,661
Others		**1,113**	443	1,113
Total		**55,653**	11,226	55,653

(b) Details of government grants:

RMB'000

Item	For the six months ended 30 June **2011**	2010	**Description**
Allowance for high performance polyethylene project	**464**	464	Amortisation of Hi-tech achievement transformation project of Jiangsu Science and Technology Department
Allowance for project of stove desulphurization	**42**	42	Amortisation of specific project of Yizheng Finance Bureau
Others	**74**	78	Other special funds received.
Total	**580**	584	

5 Notes to consolidated financial statements (continued)

(36) Non-operating expenses

RMB'000

Item	For the six months ended 30 June 2011	2010	Extraordinary expenses for the period
Losses on disposal of non-current assets	**71**	1,184	71
Including: Losses on disposal of fixed assets	**71**	1,184	71
Others	**242**	242	242
Total	**313**	1,426	313

(37) Income tax expense

RMB'000

Item	*Note*	For the six months ended 30 June 2011	2010
Current tax expense for the period		**174,296**	–
Deferred taxation		**15,665**	(190,428)
Total		**189,961**	(190,428)

(a) Reconciliation between income tax expense and accounting profits is as follows:

RMB'000

Item	For the six months ended 30 June 2011	2010
Profit before taxation	**774,719**	239,113
Expected income tax expense at tax rate of 25%	**193,680**	59,778
Add: Tax effect of deductible temporary differences not recognised	**(2,248)**	(53,952)
Tax effect of non-deductible expenses	**168**	1,693
Untaxable income on government bonds	**(1,639)**	–
Tax effect of deductible temporary difference	**–**	(197,947)
Income tax expense	**189,961**	(190,428)

5 Notes to consolidated financial statements (continued)

(38) Calculation procedures of basic and diluted earnings per share

(a) Basic earnings per share

Basic earnings per share equals to consolidated profit attributable to ordinary shareholders of the Company divided by weighted average of outstanding ordinary shares:

RMB'000

	For the six months ended 30 June	
	2011	2010
Consolidated profit attributable to the Company's ordinary equity shareholders	**584,758**	429,541
Weighted average number of the Company's ordinary shares	**4,000,000,000**	4,000,000,000
Basic earnings per share (Yuan per share)	**0.146**	0.107

Weighted average number of ordinary shares is calculated as follows:

	For the six months ended 30 June	
	2011	2010
Number of the Company's ordinary shares at the beginning of the period	**4,000,000,000**	4,000,000,000
Weighted average number of the Company's ordinary shares at the end of the period	**4,000,000,000**	4,000,000,000

(b) Diluted earnings per share

Diluted earnings per share equals to adjusted consolidated profit attributable to ordinary shareholders of the Company divided by weighted average of adjusted outstanding ordinary shares:

RMB'000

	For the six months ended 30 June	
	2011	2010
Consolidated profit attributable to the Company's ordinary equity shareholders (diluted)	**584,758**	429,541
Weighted average number of the Company's ordinary shares (diluted)	**4,000,000,000**	4,000,000,000
Diluted earnings per share (Yuan per share)	**0.146**	0.107

5 **Notes to consolidated financial statements (continued)**

(38) Calculation procedures of basic and diluted earnings per share (continued)

(b) Diluted earnings per share (continued)

Adjusted consolidated profit attributable to ordinary shareholders of the Company (diluted) is calculated as follows:

RMB'000

	For the six months ended 30 June	
	2011	2010
Profit attributable to ordinary shareholders	**584,758**	429,541
Consolidated profit attributable to ordinary shareholders of the Company (diluted)	**584,758**	429,541

Weighted average number (diluted) of ordinary shares is calculated as follows:

	For the six months ended 30 June	
	2011	2010
Number of the Company's ordinary shares at the beginning of the period	**4,000,000,000**	4,000,000,000
Weighted average number of the Company's ordinary shares at the end of the period (diluted)	**4,000,000,000**	4,000,000,000

(39) Notes to cash flow statement

(a) Cash paid relating to other operating activities

RMB'000

	For the six months ended 30 June	
Item	**2011**	2010
Repair and maintenance expenses	**154,123**	148,259
Freight expenses	**74,332**	68,354
Technology development expenses	**15,939**	14,918
Commission fee	**21,920**	–
Community service fee	**19,486**	25,729
Net exchange gains	**(2,956)**	–
Audit fee	**6,027**	5,683
Changes in other operating receivables and other operating payables	**(40,398)**	19,250
Others	**10,307**	17,431
Total	**258,780**	299,624

5 Notes to consolidated financial statements (continued)

(39) Notes to cash flow statement (continued)

(b) Cash received relating to other investing activities

RMB'000

Item	For the six months ended 30 June 2011	2010
Interests received	**20,029**	21,300
Government grants received	**–**	27,750
Total	**20,029**	49,050

(40) Supplementary information to cash flow statement

(a) Supplementary information to cash flow statement

RMB'000

Supplementary information	For the six months ended 30 June 2011	2010
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	**584,758**	429,541
Add: Impairment provision for assets	**888**	1,418
Depreciation of fixed assets	**183,214**	243,880
Amortisation of intangible assets	**14,752**	14,752
Amortisation of deferred income	**(506)**	(506)
Net gains on disposal of fixed assets	**(24,229)**	(9,015)
Net financial income	**(20,029)**	(21,300)
Investment income	**(6,557)**	(873)
Loss from changes in fair value	**310**	–
Decrease in deferred tax assets	**15,665**	(190,428)
Decrease in provisions	**–**	(5,198)
Increase in gross inventories	**(321,448)**	(694,524)
Specific reserve accrued	**539**	–
Increase in operating receivables	**(1,091,789)**	(308,106)
Increase in operating payables	**274,995**	93,340
Net cash inflow from operating activities	**(389,437)**	(447,019)
2. Change in cash and cash equivalents:		
Cash at the end of the period	**2,143,850**	1,579,211
Less: Cash at the beginning of the period	**2,025,932**	1,334,367
Add: Cash equivalents at the end of the period	**–**	–
Less: Cash equivalents at the beginning of the period	**741,326**	–
Net increase in cash and cash equivalents	**(623,408)**	244,844

5 Notes to consolidated financial statements (continued)

(40) Supplementary information to cash flow statement (continued)

(b) Cash and cash equivalents are as follows:

RMB'000

Item	At 30 June 2011	At 30 June 2010
1. Cash at bank and on hand	**2,143,850**	1,579,211
Including: Cash on hand	**16**	20
Bank deposits available on demand	**2,143,834**	1,579,191
2. Cash equivalents	**–**	–
Including: Bonds investment with maturity of 3 months or less	**–**	–
3. Cash and cash equivalents at the end of the period	**2,143,850**	1,579,211

Notes: Restricted cash and cash equivalents and short-term investments are not included in cash and cash equivalents disclosed above.

6 Related parties and related party transactions

(1) Information of the parent company is as follows:

Name	Relationship with the Company	Types of legal entity	Registed place	Legal represe-ntative	Principal activities	Registered capital	Percentage of equity interest *(%)*	Percentage of voting interest *(%)*	Ultimate holding company	Organisation Code
Sinopec Corp.	The immediate holding company	Joint stock limited company	No. 6 Hui Xin Dong Jie Jia, Chao Yang Qu, Beijing	Su Shu-lin	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	RMB 86.7 billion	42	42	CPC	71092609-4

(2) Information of the subsidiary of the Company is as follows:

Name	Type of subsidiary	Types of legal entity	Registered place	Legal representative	Principal activities	Registered Capital	Percentage of equity interest *(%)*	Percentage of voting interest *(%)*	Organisation Code
YCFC Jingwei	Wholly-owned subsidiary	Limited liability company	Yangzhou, Jiangsu Province	Shen Xi-jun	Manufacturing ,processing and sale of differentiated polyester textile filaments and other related products	RMB 483,672 thousand	100	100	77644167-1

(3) Information of other related parties is as follows:

Name	Relationship with the Company	Organization Code
CPC	Ultimate holding company	10169286-X
CITIC	Shareholder	10168558-X
Sinopec Asset and Management Corp.	With a common ultimate holding company	71093386-8
Sinopec Finance	With a common ultimate holding company	10169290-7
China CITIC Bank	Subsidiary of a shareholder	10169072-5

6 Related parties and related party transactions (continued)

(4) Transactions with related parties

The following transactions with related parties are based on normal commercial terms or by the relevant agreements.

(a) Transactions with related parties on purchasing of goods and receiving of services

The Group

RMB'000

Related parties	Contents of transaction	Pricing and decision-making process of transactions with related parties	For the six months ended 30 June 2011 Amount	2011 Percentage *(%)*	2010 Amount	2010 Percentage *(%)*
Sinopec Corp and its subsidiaries	Purchase of raw materials	Based on normal commercial terms or by the relevant agreements	**5,797,656**	**72.33**	3,151,230	47.87
Key management personal	Remuneration	Based on normal commercial terms or by the relevant agreements	**1,750**	**100**	1,578	100
Ibid	Retirement scheme contributions	Based on normal commercial terms or by the relevant agreements	**100**	**100**	85	100

The Company

RMB'000

Related parties	Contents of transactions	Pricing and decision-making process of transactions with related parties	For the six months ended 30 June 2011 Amount	2011 Percentage *(%)*	2010 Amount	2010 Percentage *(%)*
Sinopec Corp and its subsidiaries	Purchase of raw materials	Based on normal commercial terms or by the relevant agreements	**5,797,656**	**72.33**	3,151,230	48.23
Key management personal	Remuneration	Based on normal commercial terms or by the relevant agreements	**1,750**	**100**	1,578	100
Ibid	Retirement scheme contributions	Based on normal commercial terms or by the relevant agreements	**100**	**100**	85	100

(b) Transactions with related parties on sales of goods and rendering of services

The Group

RMB'000

Related parties	Contents of transactions	Pricing and decision-making process of transactions with related parties	For the six months ended 30 June 2011 Amount	2011 Percentage *(%)*	2010 Amount	2010 Percentage *(%)*
CPC and its subsidiaries (Sinopec Corp and its subsidiaries and Sinopec Finance are excluded)	Sales of goods	Based on normal commercial terms or by the relevant agreements	**138,526**	**1.34**	118,847	1.56

6 Related parties and related party transactions (continued)

(4) Transactions with related parties (continued)

(b) Transactions with related parties on sales of goods and rendering of services (continued)

The Company

RMB'000

Related parties	Contents of transactions	Pricing and decision-making process of transactions with related parties	For the six months ended 30 June 2011 Amount	2011 Percentage (%)	2010 Amount	2010 Percentage (%)
CPC and its subsidiaries (Sinopec Corp and its subsidiaries and Sinopec Finance are excluded)	Sales of goods	Based on normal commercial terms or by the relevant agreements	**138,526**	**1.34**	118,847	1.58
YCFC Jingwei	Sales of goods	Based on normal commercial terms or by the relevant agreements	**–**	**–**	314,835	4.2

(c) Other related parties transactions

The Group

RMB'000

Contents of transactions	Related parties	For the six months ended 30 June 2011	2010
Agency fee	Sinopec Corp and its subsidiaries	**35,404**	30,976
Miscellaneous service fee charges	CPC and its subsidiaries (Sinopec Corp and its subsidiaries and Sinopec Finance are excluded)	**3,060**	6,000
Insurance premium	CPC and its subsidiaries (Sinopec Corp and its subsidiaries and Sinopec Finance are excluded)	**11,818**	–
Interest income	Sinopec Finance	**1,971**	3,493
Interest income	China CITIC Bank	**1,887**	380

The Company

RMB'000

Contents of transactions	Related parties	For the six months ended 30 June 2011	2010
Agency fee	Sinopec Corp and its subsidiaries	**35,404**	30,976
Miscellaneous service fee charges	CPC and its subsidiaries (Sinopec Corp and its subsidiaries and Sinopec Finance are excluded)	**3,060**	6,000
Insurance premium	CPC and its subsidiaries (Sinopec Corp and its subsidiaries and Sinopec Finance are excluded)	**11,818**	–
Interest income	Sinopec Finance	**1,971**	3,493
Interest income	China CITIC Bank	**1,887**	380

6 Related parties and related party transactions (continued)

(5) The balances of receivables and payables with related parties

The balance of receivables with related parties

The Group

RMB'000

Item	Related parties	At 30 June 2011 Carrying amount	At 30 June 2011 Provision	At 31 December 2010 Carrying amount	At 31 December 2010 Provision
Prepayments	Sinopec Corp and its subsidiaries	**21,433**	**–**	–	–
Accounts receivable	CPC and its subsidiaries	**5,096**	**–**	3,225	–
Other receivables	CPC and its subsidiaries	**3,190**	**1,704**	8,688	2,268

The Company

RMB'000

Item	Related parties	At 30 June 2011 Carrying amount	At 30 June 2011 Provision	At 31 December 2010 Carrying amount	At 31 December 2010 Provision
Prepayments	Sinopec Corp and its subsidiaries	**21,433**	**–**	–	–
Accounts receivable	CPC and its subsidiaries	**5,096**	**–**	3,225	–
Other receivables	CPC and its subsidiaries	**3,190**	**1,704**	8,688	2,268
Accounts receivable	YCFC Jingwei	**258,825**	**132,154**	267,832	132,154

The balance of payables with related parties

The Group

RMB'000

Item	Related parties	At 30 June 2011	At 31 December 2010
Accounts payable	Sinopec Corp and its subsidiaries	**1,328,228**	1,074,560
Advances from customers	Sinopec Corp and its subsidiaries	**–**	–
Other payables	Sinopec Corp and its subsidiaries	**23,615**	9,393
Accounts payable	CPC and its subsidiaries	**98**	692
Advances from customers	CPC and its subsidiaries	**–**	3,320
Other payables	CPC and its subsidiaries	**413**	3,733

The Company

RMB'000

Item	Related parties	At 30 June 2011	At 31 December 2010
Accounts payable	Sinopec Corp and its subsidiaries	**1,328,228**	1,074,560
Advances from customers	Sinopec Corp and its subsidiaries	**–**	–
Other payables	Sinopec Corp and its subsidiaries	**23,615**	9,393
Accounts payable	CPC and its subsidiaries	**98**	692
Advances from customers	CPC and its subsidiaries	**–**	3,320
Other payables	CPC and its subsidiaries	**413**	3,733
Advances from customers	YCFC Jingwei	**–**	703
Other payables	YCFC Jingwei	**–**	1,190

7 Contingency

Other contingent liabilities and relevant financial effects

With respect to uncertainties about enterprise income tax differences arising from 2006 and before as originated from a tax circular (Circular No.664) issued by the State Administrative of Taxation in June 2007, the Company has been informed by the relevant tax authority to settle the enterprise income tax ("EIT") for 2007 at a rate of 33 percent. To date, the Company has not been requested to pay additional EIT in respect of any years prior to 2007. There is no further development of this matter during the period ended 30 June 2011. No provision has been made in the financial statements for this uncertainty for tax years prior to 2007 because management believes it cannot reliably estimate the amount of the obligation, if any, that might exist.

8 Commitments

Capital commitments

RMB'000

Item	At 30 June 2011	At 31 December 2010
Authorised and contracted for	**383,122**	445,056
Authorised but not contracted for	**927,157**	967,743
Total	**1,310,279**	1,412,799

9 Other significant matters

(1) Segment reporting

The Group has identified five reportable segments for financial statements based on the internal 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 PTA. All segments manufacture and sell chemical fibre products and raw materials, and are primarily engaged in the PRC. The Group's executive management review reportable segments' financial information periodically for the purposes of allocating resources and assessing the performance.

(a) Operating results and assets information of reportable segments

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results and assets attributable to each reportable segment on the following bases:

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 revenue, assistance provided by one segment to another, including sharing of assets, is not measured.

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

In addition to receiving segment information concerning "gross profit", management is provided with segment information concerning revenue (including inter-segment revenue), depreciation, amortisation and impairment losses. Inter-segment revenue are priced with reference to market price.

The Group changed the basis of inter-segment measures for internal reporting purpose from 1 July 2010. Before 1 July 2010, revenue and gross profit or loss from external customers only were measured and reviewed by the Group's senior executive management. From 1 July 2010, in addition to revenue and gross profit or loss from external customers, inter-segment revenue priced with reference to market price and inter-segment gross profit or loss were also measured and reviewed by the Group's senior executive management. The Group has restated the comparative amounts on a basis consistent with the revised segment measures.

9 Other significant matters (continued)

(1) Segment reporting (continued)

(a) Operating profits and losses and assets information of reportable segments (continued)

During the period ended 30 June 2011, information regarding the Group's reportable segments set out below is the measure of segment revenue and segment assets reviewed by the chief operating decision maker or is otherwise regularly provided to the chief operating decision maker, even if not included in the measure of segment revenue and segment assets:

RMB'000

	For six months ended 30 June 2011								
Item	Polyester chips	Bottle-grade polyester chips	Staple fibre and hollow fibre	Filament	PTA	Others	Offset	Unallocated items	Total
Revenue from external customers	3,636,860	2,017,508	3,508,082	988,929	–	181,208	–	–	10,332,587
Inter-segment revenue	–	–	–	–	4,803,848	–	(4,803,848)	–	–
Revenue for reportable segments	3,636,860	2,017,508	3,508,082	988,929	4,803,848	181,208	(4,803,848)	–	10,332,587
Cost for reportable segments	3,455,632	2,014,028	3,316,262	1,008,875	3,960,803	143,642	(3,960,803)	–	9,938,439
Gross profits Reportable segments (loss listed with "-")	181,228	3,480	191,820	(19,946)	843,045	37,566	(843,045)	–	394,148
Other important items:									
– Depreciation and amortisation	30,657	9,064	18,272	7,010	70,210	47,344	–	12,790	195,347
– Impairment of fixed assets	341	–	–	71	4,270	431	–	–	5,113
– Provisions of inventories	–	–	–	–	–	–	–	–	–

	At 30 June 2011								
Item	Polyester chips	Bottle-grade polyester chips	Staple fibre and hollow fibre	Filament	PTA	Others	Offset	Unallocated items	Total
– Assets for reportable segments	636,891	202,158	529,344	177,595	1,118,695	1,000,412	–	1,278,074	4,943,169

9 Other significant matters (continued)

(1) Segment reporting (continued)

(a) Operating profits and losses and assets information of reportable segments (continued)

During the period ended 30 June 2010, information regarding the Group's reportable segments set out below is the measure of segment revenue and segment assets reviewed by the chief operating decision maker or is otherwise regularly provided to the chief operating decision maker, even if not included in the measure of segment revenue and segment assets:

RMB'000

	For six months ended 30 June 2010								
Item	Polyester chips	Bottle-grade polyester chips	Staple fibre and hollow fibre	Filament	PTA	Others	Offset	Unallocated items	Total
Revenue from external customers	2,861,501	1,355,044	2,379,865	837,774	–	162,333	–	–	7,596,517
Inter-segment revenue	46,671	–	–	–	3,282,816	–	(3,329,487)	–	–
Revenue for reportable segments	2,908,172	1,355,044	2,379,865	837,774	3,282,816	162,333	(3,329,487)	–	7,596,517
Cost for reportable segments	2,819,613	1,318,926	2,316,715	833,503	2,791,386	161,954	(2,836,717)	–	7,405,380
Gross profits Reportable segments (loss listed with "-")	88,559	36,118	63,150	4,271	491,430	379	(1,340)	–	682,567
Other important items:									
– Depreciation and amortisation	31,250	19,069	19,206	7,575	116,406	46,486	–	18,640	258,632
– Impairment of fixed assets	246	–	–	–	54	–	–	–	300
– Provisions of inventories	–	–	–	–	–	–	–	–	–

	At 31 December 2010								
Item	Polyester chips	Bottle-grade polyester chips	Staple fibre and hollow fibre	Filament	PTA	Others	Offset	Unallocated items	Total
– Assets for reportable segments	604,359	197,206	496,965	199,942	1,153,730	1,029,268	(3,644)	1,112,111	4,789,937

The Group's principal activities are production and sale of chemical fiber and chemical fiber raw materials, mainly in China.

The relatively insignificant portions of revenue are mostly generated from five other segments: logistics centers, power centers, water supply center, thermal center and high-fiber center. These segments did not reach any of the materiality requirements to be reportable segments of the Group.

9 Other significant matters (continued)

(2) Risk analysis, sensitivity analysis, and determination of fair values for financial instruments

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

– credit risk;
– liquidity risk;
– interest rate risk;
– foreign currency risk.

This note presents information about the Group's exposure to each of the above risks and their sources, the Group's objectives, policies and processes for measuring and managing risks, etc.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, 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 activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(a) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's and deposits with banks and other financial institutions and receivables from customers. To limit exposure to credit risk relating to deposits, the Group primarily place cash deposits only with large financial institutions in the PRC with acceptable credit rating.

The majority of the Group'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 performs ongoing credit evaluations of its customers' financial condition and generally do not require collateral on receivables. The Group maintains an impairment loss for doubtful debts 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 and cash equivalents, deposits with banks and other financial institutions, accounts receivable and other receivables represent the Group's maximum exposure to credit risk in relation to financial assets.

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

RMB'000

Ageing	**At 30 June 2011**	At 31 December 2010
Not past due	**108,061**	74,917
Past due within 3 months (inclusive)	**–**	–
Past due within 3-6 months (inclusive)	**–**	–
Past due within 6-12 months (inclusive)	**–**	–
More than one year past due	**–**	–
Total	**108,061**	74,917

9 Other significant matters (continued)

(2) Risk analysis, sensitivity analysis, and determination of fair values for financial instruments (continued)

(a) Credit Risk (continued)

The Group'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 has significant exposure to individual customers. At the balance sheet date, 41.08% (2010: 53.14%) of the total accounts receivable were due from the five largest customers of the Group. In addition, receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The Group does not provide any other guarantees which would expose the Group to credit risk.

(b) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations on the due date. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group 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 arranges and negotiates financing with financial institutions and maintains a certain level of standby credit facilities to reduce the liquidity risk.

(c) Interest rate risk

Interest-bearing financial instruments at variable rate and fixed rate exposure the Group to cash flow interest rate risk and fair value interest risk, respectively. Except for time deposits with banks with fixed interest rates, the Group has no other significant interest-bearing assets and liabilities.

(i) The Group's interest-bearing financial instruments at periods end are as follow:

RMB'000

Item	**At 30 June 2011** Annual interest rate *(%)*	**At 30 June 2011** Amount	At 31 December 2010 Annual interest rate *(%)*	At 31 December 2010 Amount
Fixed rate instruments				
Financial assets				
– Cash at bank and on hand	**2.50-3.05**	**1,435,000**	1.98-2.25	443,456

RMB'000

Item	**At 30 June 2011** Annual interest rate *(%)*	**At 30 June 2011** Amount	At 31 December 2010 Annual interest rate *(%)*	At 31 December 2010 Amount
Variable rate instruments				
Financial assets				
– Cash at bank and on hand	**0.50**	**708,834**	0.36	2,025,909

9 Other significant matters (continued)

(2) Risk analysis, sensitivity analysis, and determination of fair values for financial instruments (continued)

(c) Interest rate risk (continued)

(ii) Sensitivity analysis

As at 30 June 2011, 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 shareholders' equity by approximately RMB 7,088,000 respectively (2010: RMB 20,259,000), and net profit by approximately RMB 7,088,000 (2009: RMB 20,259,000) (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 variable rate instruments outstanding at that date with exposure to cash flow interest rate risk. The analysis is performed on the same basis for 2010.

(d) Foreign currency risk

For accounts receivable and payable not denominated in functional currency, the Group will purchase or sale foreign currency to keep net currency risk exposure under acceptable level when short-term imbalance occurred.

(i) As at 30 June 2011, the Group's exposure to currency risk arising from recognised assets or liabilities denominated in foreign currencies is presented in the following tables. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the balance sheet date.

RMB'000

Item	**At 30 June 2011** ***USD***	At 31 December 2010 *USD*
Cash at bank and on hand	**302**	32,128
Accounts receivable	**53,743**	50,229
Accounts payable	**(737,232)**	(951,473)
Gross balance sheet exposure	**(683,187)**	(869,116)
Net balance sheet exposure	**(683,187)**	(869,116)

(ii) The following are the significant exchange rates applied by the Group:

RMB'000

	Average rate		**Reporting date mid-spot rate**	
Item	**January to June 2011**	January to December 2010	**At 30 June 2011**	At 31 December 2010
USD	**6.5410**	6.7695	**6.4716**	6.6227

9 Other significant matters (continued)

(2) Risk analysis, sensitivity analysis, and determination of fair values for financial instruments (continued)

(d) Foreign currency risk (continued)

(iii) Sensitivity analysis

Assuming all other risk variables remained constant and the related income tax impact was not considered, a 5% strengthening of Renminbi against the US dollar at 30 June would have increased shareholders' equity and net profit for the year of the Group by the amount shown below, whose effect is in Renminbi and translated using the spot rate at the balance sheet date.

RMB'000

Item	Shareholders' equity	Net profit
As at 30 June 2011		
USD	34,159	34,159
As at 31 December 2010		
USD	43,456	43,456

A 5% weakening of the Renminbi against the US dollar at 30 June 2011 and 31 December 2010 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.

The sensitivity analysis has been determined assuming that the change in exchange rate has occurred at the balance sheet date and the changed exchange rate was applied to the Group's financial instruments outstanding at that date with exposure to currency risk. The analysis is performed on the same basis and method for 2010.

(e) Fair values

Fair value of other financial instruments (carried at other than fair value)

As at 30 June 2011, all financial instruments are carried at amounts not materially different from their fair values.

(f) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of investments held for trading and items set out in 9 (2) (e) above that measured at fair value on the balance sheet date.

(i) Financial assets

If active market exists for available-for-sale financial assets, fair value is determined based on the market price at balance sheet date.

(ii) Accounts receivable

The fair value is based on present value of future cash flow forecast, and the discount rate is market rate at balance sheet date.

(3) Assets and liabilities carried at fair values

RMB'000

Item	Balance at the beginning of the period	Purchased during the period	Change in fair value	Investment income from disposal	Disposal during the period	Balance at the end of the period
Financial asset						
1. Investment held for trading	699,713	–	(310)	6,557	705,960	–
2. Available-for-sale financial assets	–	500,000	–	–	–	500,000

10 Major notes to financial statements of the Company

(1) Accounts receivable

(a) Accounts receivable by customer type:

RMB'000

Category	At 30 June 2011	At 31 December 2010
Amounts due from related parties	**263,921**	271,057
Amounts due from third parties	**102,965**	69,772
Subtotal	**366,886**	340,829
Less: Provision for bad and doubtful debts	**132,154**	132,154
Total	**234,732**	208,675

Except for listed in Note 6, 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.

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

RMB'000

Category	At 30 June 2011	At 31 December 2010
Within 1 year (inclusive)	**108,061**	72,997
1 and 2 years (inclusive)	**–**	267,832
2 and 3 years (inclusive)	**258,825**	–
Over 3 years	**–**	–
Less: Provision for bad and doubtful debts	**132,154**	132,154
Total	**234,732**	208,675

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

(c) Accounts receivable by category:

RMB'000

Category	Note	At 30 June 2011 Carrying amounts Amount	At 30 June 2011 Carrying amounts Percentage *(%)*	At 30 June 2011 Provision Amount	At 30 June 2011 Provision Percentage *(%)*	At 31 December 2010 Carrying amounts Amount	At 31 December 2010 Carrying amounts Percentage *(%)*	At 31 December 2010 Provision Amount	At 31 December 2010 Provision Percentage *(%)*
Individually significant accounts receivable with provision provided	*(d)*	**258,825**	**70.55**	**132,154**	**100**	267,832	78.58	132,154	100
Accounts receivable with provision provided collectively*		**108,061**	**29.45**	**–**	**–**	72,997	21.42	–	–
Total		**366,886**	**100**	**132,154**	**100**	340,829	100	132,154	100

Note: The category includes accounts receivable without impairment by individual testing.*

The Company had no pledge for accounts receivable with provisions mentioned above.

10 Major notes to financial statements of the Company (continued)

(1) Accounts receivable (continued)

(c) Accounts receivable by category: (continued)

Accounts receivable by currency:

RMB'000

	At 30 June 2011			At 31 December 2010		
	Foreign currency	**Exchange rate**	**RMB equivalent**	Foreign currency	Exchange rate	RMB equivalent
RMB			**313,143**			292,501
USD	**8,304**	**6.472**	**53,743**	7,297	6.623	48,328
Total			**366,886**			340,829

The Company had no individually significant recovery of bad debts which were fully or substantially provided for in prior years.

There is no actual write-off of accounts receivable during the period.

As at 30 June 2011, the Company had no individually significant accounts receivable due over 3 years.

(d) Provisions provided individually for individually significant accounts receivable at the end of the period

RMB'000

Content	Carrying amount	Provision	Percentage *(%)*	Note
Individually significant accounts receivable	258,825	132,154	51.06	Since full impairment provision to YCFC Jingwei's long-term equity investment can't offset the effect of its accumulated loss, the Company provided impairment of the accounts receivables from YCFC Jingwei.

(e) As at 30 June 2011, accounts receivable due from five biggest debtors are as follows:

RMB'000

Name	**Relationship**	**Amount**	**Ageing**	**Percentage of total accounts receivable** *(%)*
1. Entity A	Wholly-owned subsidiary	258,825	1 and 2 years	70.55
2. Entity B	Third Party	10,224	Within 6 months	2.79
3. Entity C	Third Party	9,319	Within 6 months	2.54
4. Entity D	Third Party	8,346	Within 6 months	2.27
5. Entity E	Third Party	8,333	Within 6 months	2.27
Total		295,047		80.42

10 Major notes to financial statements of the Company (continued)

(1) Accounts receivable (continued)

(f) Accounts receivable due from related parties

Name	Relationship	Amount	*RMB'000* Percentage *(%)*
YCFC Jingwei	Wholly-owned subsidiary	258,825	70.55
CPC and its subsidiaries	With a common ultimate holding company	5,096	1.39
Total		263,921	71.94

(2) Other receivables

(a) Other receivables by customer type:

Category	At 30 June 2011	*RMB'000* At 31 December 2010
Amounts due from related parties	**3,190**	8,688
Amounts due from third parties	**14,769**	27,087
Subtotal	**17,959**	35,775
Less: Provision for bad and doubtful debts	**6,953**	5,840
Total	**11,006**	29,935

Except for listed in Note 6, 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.

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

Category	At 30 June 2011	*RMB'000* At 31 December 2010
Within 1 year (inclusive)	**7,613**	20,715
1 and 2 years (inclusive)	**26**	13,172
2 and 3 years (inclusive)	**8,435**	–
Over 3 years	**1,885**	1,888
Less: Provision for bad and doubtful debts	**6,953**	5,840
Total	**11,006**	29,935

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

10 Major notes to financial statements of the Company (continued)

(2) Other receivables (continued)

(c) Other receivables by category

RMB'000

Category	Note	At 30 June 2011				At 31 December 2010			
		Carrying amount		Provision		Carrying amount		Provision	
		Amount	Percentage *(%)*	Amount	Percentage *(%)*	Amount	Percentage *(%)*	Amount	Percentage *(%)*
Other receivables with provision provided collectively*	*(d)*	**17,959**	**100**	**6,953**	**100**	35,775	100	5,840	100

Note: The category includes other receivables without impairment by individual testing.*

The Company had no pledge for other receivables with provision mentioned above.

During the period ended 30 June 2011, the Company had no individually significant other receivables fully or substantially provided for.

The Company had no individually significant recovery of bad debts which were fully or substantially provided for in prior years.

There is no actual write-off of any other receivables during the period.

As at 30 June 2011, the Company had no individually significant other receivables due over 3 years.

(d) Other receivables with provision provided collectively by aging analysis:

RMB'000

Category	At 30 June 2011			At 31 December 2010		
	Carrying amount			Carrying amount		
	Amount	%	Provision	Amount	%	Provision
Within 1 year (inclusive)	**7,613**	**42.39**	**–**	20,715	57.90	–
1 and 2 years (inclusive)	**26**	**0.14**	**7**	13,172	36.82	3,952
2 and 3 years (inclusive)	**8,435**	**46.97**	**5,061**	–	–	–
Over 3 years	**1,885**	**10.50**	**1,885**	1,888	5.28	1,888
Total	**17,959**		**6,953**	35,775		5,840

(e) As at 30 June 2011, other receivables due from five biggest debtors are as follows:

RMB'000

Name	Relationship	Amount	Ageing	Percentage *(%)*
1. Entity A	Third party	5,612	1 and 2 years	31.25
2. Entity B	With a common ultimate holding company	2,840	1 and 2 years	15.81
3. Entity C	Third party	1,949	Within 6 months	10.85
4. Entity D	Third party	1,466	Within 6 months	8.17
5. Entity E	Third party	932	Within 6 months	5.19
Total		12,799		71.27

10 Major notes to financial statements of the Company (continued)

(2) Other receivables (continued)

(f) Amounts due from related parties

RMB'000

Name	Relationship	Amount	Percentage *(%)*
CPC and its subsidiaries A	With a common ultimate holding company	2,840	15.81
CPC and its subsidiaries B	With a common ultimate holding company	350	1.95
Total		3,190	17.76

(3) Long-term equity investments

(a) Long-term equity investments by category:

RMB'000

Item	**At 30 June 2011**	At 31 December 2010
Investment in subsidiaries	**303,361**	303,361
Less: Provision for impairment	**303,361**	303,361
Total	**–**	–

(b) Movement of long-term equity investments during the year is as follows:

RMB'000

Investee	Accounting method	Initial investment cost	Balance at the beginning of the period	Increase/ decrease	Balance at the end of the period	Interest in investee *(%)*	Voting right in investee *(%)*	Provision	Provision for impairment during the period	At the end of the period
YCFC Jingwei	Cost method	303,361	303,361	–	303,361	100	100	303,361	–	–

Detailed information about the subsidiary of the Company is set out in Note 4.

Influenced by the market environment, the subsidiary YCFC Jingwei has suffered continuous loss. The Company reduced the carrying amount of long-term equity investment to nil, in accordance with the corresponding investment losses. The expected recoverable amount of the long-term equity investment is nil, therefore full impairment is provided.

The Company had no unrecognised investment losses for the period.

10 Major notes to financial statements of the Company (continued)

(4) Operating income and operating costs

(a) Operating income and operating costs

RMB'000

Item	For the six months ended 30 June 2011	2010
Operating income from principal activities	**10,243,669**	7,434,691
Other operating income	**88,918**	68,786
Operating costs	**9,099,037**	6,821,503

(b) Operating income and operating cost by industries:

RMB'000

	For the six months ended 30 June			
	2011		2010	
Industry	**Operating income**	**Operating costs**	Operating Income	Operating costs
Chemical fibre	**10,332,587**	**9,099,037**	7,503,477	6,821,503

(c) Operating income and operating costs by products:

RMB'000

	For the six months ended 30 June			
	2011		2010	
Product	**Operating income**	**Operating costs**	Operating Income	Operating costs
Polyester chips	**3,636,860**	**3,123,967**	2,908,172	2,631,079
Bottle-grade polyester chips	**2,017,508**	**1,825,680**	1,355,044	1,244,462
Staple fibre and hollow fibre	**3,508,082**	**3,075,438**	2,379,865	2,127,836
Filament	**988,929**	**930,310**	676,991	625,741
Others	**181,208**	**143,642**	183,405	192,385
Total	**10,332,587**	**9,099,037**	7,503,477	6,821,503

10 Major notes to financial statements of the Company (continued)

(4) Operating income and operating costs (continued)

(d) Operating income and operating costs by regions:

RMB'000

	For the six months ended 30 June			
	2011		2010	
Region	**Operating income**	**Operating costs**	Operating Income	Operating costs
Mainland	**9,908,978**	**8,716,857**	7,048,390	6,395,098
Hong Kong, Macau, Taiwan and overseas	**423,609**	**382,180**	455,087	426,405
Total	**10,332,587**	**9,099,037**	7,503,477	6,821,503

(e) Revenue from the top five customers in the period ended 30 June 2011 is set out as follows:

RMB'000

Name	**Operating income**	**Percentage of total operating income** *(%)*
1. Customer A	570,293	5.52
2. Customer B	408,808	3.96
3. Customer C	301,202	2.92
4. Customer D	261,026	2.53
5. Customer E	177,952	1.72
Total	1,719,281	16.65

(5) Investment income

Investment income by category is as follows:

RMB'000

	For the six months ended 30 June	
Item	**2011**	2010
Investment income proceeded from disposal of available-for-sale financial assets	**–**	873
Proceeds from sale of financial assets held for trading	**6,557**	–
Total	**6,557**	873

10 Major notes to financial statements of the Company (continued)

(6) Supplement to cash flow statement

	For the six months ended 30 June	*RMB'000*
Supplement	**2011**	2010
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	**581,596**	430,457
Add: Impairment provision for assets	**888**	13,154
Depreciation of fixed assets	**178,542**	238,869
Amortisation of intangible assets	**14,752**	14,752
Amortisation of deferred income	**(506)**	(506)
Net gain on disposal of fixed assets	**(2,852)**	(3,671)
Net financial income	**(20,029)**	(21,113)
Investment income	**(6,557)**	(873)
Losses from changes in fair value	**310**	–
Decrease in deferred tax assets	**15,665**	(190,428)
Decrease in provisions	**–**	(5,198)
Increase in gross inventories	**(365,692)**	(694,126)
Specific reserve accrued	**539**	–
Increase in operating receivables	**(1,082,782)**	(305,164)
Increase in operating payables	**318,066**	83,673
Net cash inflow from operating activities	**(368,060)**	(440,174)
2. Change in cash and cash equivalents:		
Cash at the end of the period	**2,143,850**	1,573,882
Less: Cash at the beginning of the period	**2,025,932**	1,327,985
Add: Cash equivalents at the end of the period	**–**	–
Less: Cash equivalents at the beginning of the period	**741,326**	–
Net increase in cash and cash equivalents	**(623,408)**	245,897

Supplement to the financial statements

1 Extraordinary gains during six month ended 30 June 2011

RMB'000

Item	Amount	Note
Gains from disposal of non-current assets	24,229	Gains from disposal of fixed assets
Employee reduction expenses	(93)	Expense paid for dismissing the labor contract
Government grants recognised in profit or loss (other than the amount closely related to principal activities and generated according to national standards)	580	Government grants received, such as prize for energy saving
Loss on changes in fair value of investments held for trading	(310)	Changes in fair value of bonds
Investment income from disposal of financial assets	6,557	Proceeds from disposal of investment in bonds
Other non-operating income and expenses excluding the aforesaid items	30,531	Reversal of loss on breach of contracts, etc.
Income tax effect	(8,390)	YCFC Jingwei suffered loss before tax during the year and did not recognise deferred tax assets, and the income of national bonds are tax-free, therefore the above extraordinary gain and loss items relating to YCFC Jingwei and the proceeds from sale of national bonds did not result in tax effect
Total	53,104	

The extraordinary gains and losses are listed as pre-tax amount.

2 Differences in the financial statements prepared under different GAAPs

The difference between ASBE and International Financial Reporting Standards ("IFRSs") on net profit and net assets of consolidated financial statements is analysed as follows:

RMB'000

		Net profit		Net assets	
	Note	**For the six months ended 30 June 2011**	For the six months ended 30 June 2010	**30 June 2011**	31 December 2010
Under ASBE		**584,758**	429,541	**8,777,634**	8,312,337
Adjustments under IFRSs:					
Government grants	*(1)*	**–**	–	**(39,630)**	(39,630)
Specific reserve	*(2)*	**539**	–	**–**	–
Under IFRSs		**585,297**	429,541	**8,738,004**	8,272,707

(1) Government grants

Under ASBE, grants from the government are credited to capital reserve if required by relevant governmental regulations. Under IFRS, government grants relating to the purchase of fixed assets are recognised as deferred income and are transferred to the income statement over the useful life of these assets.

(2) Specific reserve

Under ASBE, safety production fund relevant should be recognised in profit or loss with a corresponding increase in reserve according to PRC regulations. Such reserve is reduced for expenses incurred for safety production purposes or, when safety production related fixed assets are purchased, is reduced by the purchased cost with a corresponding increase in the accumulated depreciation. Such fixed assets are not depreciated thereafter. Under IFRS, expense is recognised in profit or loss when incurred, and fixed assets are depreciated with applicable methods.

3 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" (2010 Revised) issued by the CSRC, the Group's return on net assets and earnings per share are summarised as follows:

	Return on weighted average net assets	**Earnings per share**	
Profit for the current year	*(%)*	**Basic earnings per share**	**Diluted earnings per share**
Net profit attributable to the Company's ordinary equity shareholders	6.84%	RMB 0.146	RMB 0.146
Net profit net of extraordinary gains and losses attributable to the Company's ordinary equity shareholders	6.22%	RMB 0.133	RMB 0.133

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 30 August 2011 (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 2011 signed by the Chairman and General Manager of the Company;

2. The financial report of the Company for the six months ended 30 June 2011 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.*