



# 中國石化儀征化纖股份有限公司

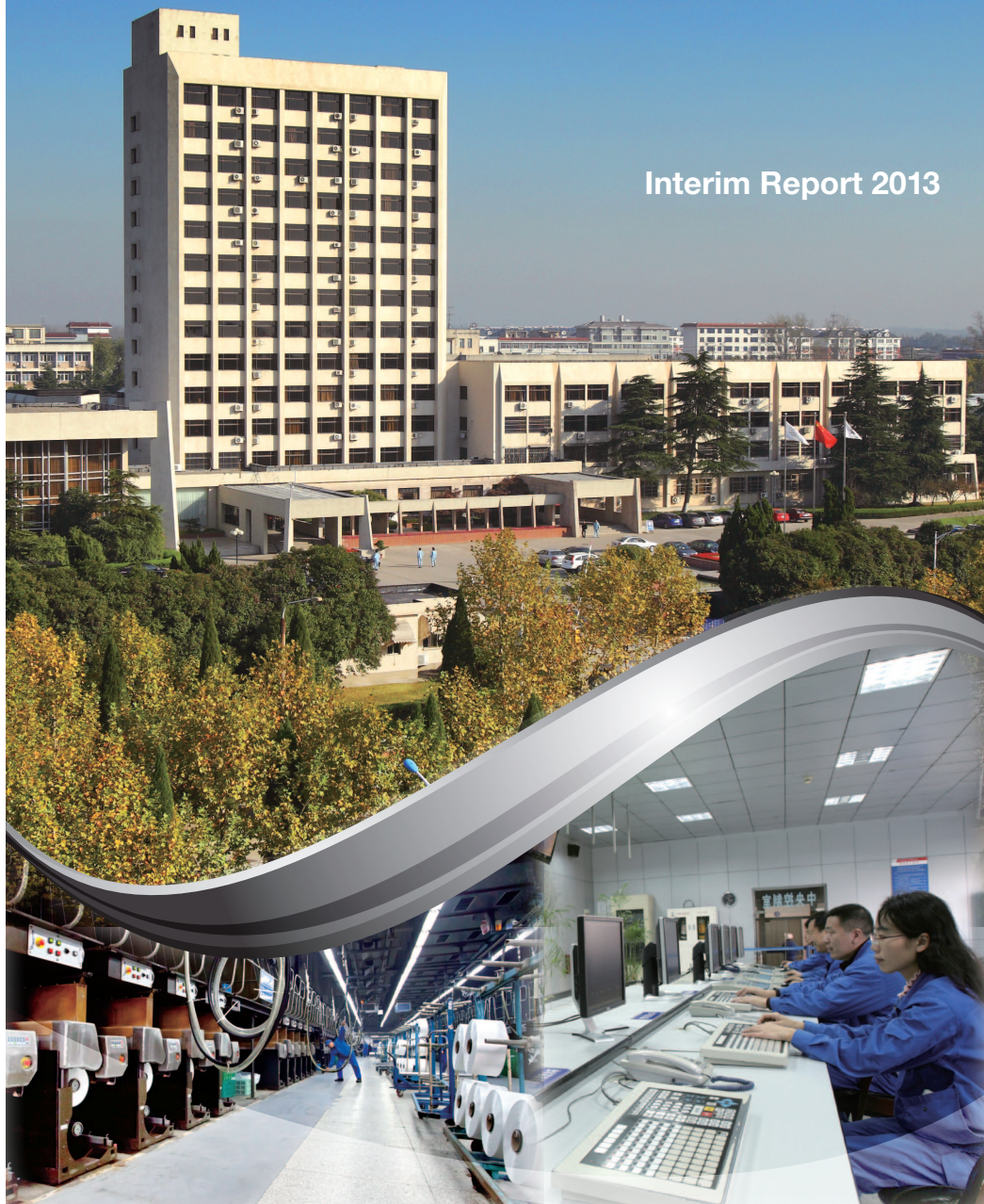
Sinopec Yizheng Chemical Fibre Company Limited

(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 2013



**IMPORTANT NOTES:**

The Board and the Supervisory Committee of the Company and its directors, supervisors and senior management warrant 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 2013 Interim Report has been approved at the tenth meeting of the seventh session of the Board. Total 11 Directors attended the meeting. Shi Zhen-hua, Independent Director, was absent for business affairs, and appointed Qiao Xu, Independent Director as his proxy respectively.

The interim financial statements of the Company for 2013, which have been prepared in accordance with the PRC ASBE have been audited by PricewaterhouseCoopers Zhong Tian CPAs (Special General Partnership) and the auditor has issued unqualified opinions on the financial statements. The interim financial statements of the Company for 2013, which have been prepared in accordance with IFRS are unaudited, but have been reviewed by PricewaterhouseCoopers.

Mr. Lu Li-yong, Chairman, Mr. Xiao Wei-zhen, Vice Chairman and General Manager, Mr. Li Jian-ping, Chief Financial Officer and Mr. Wang Jun-song, Vice Director of the Asset and Accounting Department of the Company warranted the authenticity and completeness of the interim financial statements contained in the Interim Report.

The Board proposes for an issue to all holders of the Company of 5 new shares for each 10 shares held out of the common reserves of the Company. Based on the total share capital of 4.0 billion shares as at 30 June 2013, total 2.0 billion shares will be newly increased.

The 2013 Interim Report contains certain forward-looking statements with respect to the business of the Company. These forward-looking statements are, by their names, subjects to significant risk and uncertainties because they relate to events and depend on circumstances that may occur in the future and are beyond our control. The forward-looking statements reflect the Company's current views with respect of future events and are not a guarantee of future performance. Actual results may differ from information contained in the forward-looking statements.

There was no appropriation of funds by the controlling shareholder of the Company and its connected parties for non-operation purpose.

The Company did not provide external guarantees made in violation of required decision-making procedures.

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## 1. DEFINITIONS

In this Interim Report, unless the context otherwise requires, the following expressions shall have the following meanings:

“Company”	Sinopec Yizheng Chemical Fibre Company Limited (中國石化儀征化纖股份有限公司), a joint stock limited company incorporated in the PRC whose H Shares are listed on the Main Board of the Stock Exchange (Stock code 1033) and listed A Shares are traded on the SSE (Stock code 600871)
“Board”	the board of Directors of the Company
“Articles of Association”	the articles of association of the Company, as amended, modified or supplemented from time to time
“Sinopec”	China Petroleum & Chemical Corporation (中國石油化工有限公司), a joint stock limited company established in the PRC and listed on the Main Board of the Stock Exchange as well as in New York, London and Shanghai and the controlling shareholder of the Company
“CITIC Limited”	CITIC Limited, a substantial shareholder holding 18% of the Company's equity interest
“CPC”	China PetroChemical Corporation (中國石油化工有限公司), a wholly State-owned company established in the PRC and the holding company of Sinopec
“Sinopec Finance”	Sinopec Finance Company Limited (中國石化財務有限公司), a subsidiary of CPC
“A Shares”	shares in the share capital of the Company of par value RMB1.00 each which are listed on the SSE
“H Share(s)”	overseas listed foreign Share(s) in the Share capital of the Company of par value at RMB1.00 each which is(are) listed on the Main Board of the Stock Exchange
“SSE”	Shanghai Stock Exchange



“HKSE”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
“PTA”	purified terephthalic acid, one of the main ingredients for the production of polyester
“PX”	Paraxylene, one of the main ingredients for the production of PTA
“MEG”	mono-ethylene glycol, principal raw materials of polyester
“Directors”	directors of the Company including independent directors
“Yihua”	Sinopec Asset and Management Corporation Yizheng Branch (中國石化集團資產經營管理有限公司儀征分公司) (the former name of which is Yihua Company Corporation (儀化集團公司)), a State-owned enterprise incorporated under the laws of the PRC and an associate of CPC
“PRC/State”	The People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Far Eastern Yihua”	Far Eastern Yihua Petrochemical (Yangzhou) Corporation (遠東儀化石化(揚州)有限公司), a joint venture established in Yizheng City, Jiangsu Province, the PRC pursuant to the Joint Venture Agreement
“Far Eastern Holding”	Far Eastern Polytex Holding Limited, a limited liability company incorporated in Bermuda and a subsidiary of FENC

“FENC”	Taiwan Far Eastern New Century Corporation, a subsidiary of Taiwan Far Eastern Company, is principally engaged in the business of petrochemical, polyester and textile and its shares were listed in Taiwan Stock Exchange
“CSRC”	China Securities Regulatory Commission
“HKSCC (Nominees) Limited”	Hong Kong Securities Clearing Company (Nominees) Limited
“Sinopec Asset Management”	Sinopec Asset and Management Corporation (中國石化集團資產經營管理有限公司), a subsidiary of CPC
“Yihua Toray”	Yihua Toray Polyester Film Co., Ltd. (儀化東麗聚酯薄膜有限公司)
“Yihua Bonar”	Yihua Bonar Yarns and Fabrics Co., Ltd. (儀化博納織物有限公司)
“PRC ASBE”	the PRC Accounting Standards for Business Enterprises
“IFRS”	International Financial Report Standards



## 2. 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 PRC  
Postal code : 211900  
Telephone : 86-514-83232235  
Fax : 86-514-83233880  
Internet website : <http://www.ycfc.com>  
E-mail address : [cs0@ycfc.com](mailto:cs0@ycfc.com)
4. Company Secretary : Mr. Tom C.Y. Wu  
Assistant Company Secretary : Mr. Shen Ze-hong  
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 : [cs0@ycfc.com](mailto:cs0@ycfc.com)
5. Domestic newspapers disclosing information : China Securities, Shanghai Securities News, Securities Times  
Internet website designated by HKSE to disclosure information : <http://www.hkexnews.hk>  
Internet website designated by CSRC to publish the interim report : <http://www.sse.com.cn>  
Place where the interim report available for inspection : Company Secretary Office  
Sinopec Yizheng Chemical Fibre Company Limited

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

H share  
Place of listing : HKSE  
Stock name : Yizheng Chemical  
Stock code : 1033

A share  
Place of listing : SSE  
Stock name : Yizheng Chemical  
Stock name before altering : S Yihua  
Stock code : 600871

7. Other relevant information:

Names and Addresses of  
Auditors of the Company:

Name of Domestic Auditors : PricewaterhouseCoopers Zhong Tian CPAs  
(Special General Partnership)  
Address : 11th Floor PricewaterhouseCoopers,  
2 Corporate Avenue, 202 Hu Bin Road,  
Huangpu District, Shanghai, the PRC  
Signing accountants : Wang Chao, Yang Xu-dong

Name of Overseas Auditors : PricewaterhouseCoopers  
Address : 22nd, Prince's Building, Central, Hong Kong





### 3. FINANCIAL SUMMARY

#### 1. Key financial data and financial indicators prepared under IFRS (Unaudited)

	As at 30 June 2013 RMB'000	As at 31 December 2012 RMB'000	Increase/ (decrease) from last year (%)
Total assets	<b>11,335,931</b>	11,138,204	1.8
Total equity attributable to equity shareholders of the Company	<b>8,024,568</b>	8,513,483	(5.7)
Net assets per share attributable to equity shareholders of the Company	<b>RMB2.006</b>	RMB2.128	(5.7)

	For the six months ended 30 June 2013 RMB'000	For the six months ended 30 June 2012 RMB'000	Increase/ (decrease) from corresponding period of last year (%)
(Loss)/profit attributable to equity shareholders of the Company	<b>(488,915)</b>	(214,635)	Not applicable
Net cash used in operating activities	<b>(746,044)</b>	(503,277)	Not applicable
Basic and diluted (loss)/earnings per share	<b>RMB(0.122)</b>	RMB(0.054)	Not applicable
Return on net assets	<b>(5.91%)</b>	(2.42%)	Decreased by 3.49 percentage points
Net cash used in operating activities per share	<b>RMB(0.187)</b>	RMB(0.126)	Not applicable

## 2. Key financial data and financial indicators prepared under PRC ASBE (Audited)

	As at 30 June 2013 RMB'000	As at 31 December 2012 RMB'000	Increase/ (decrease) from last year (%)
Total assets	11,335,931	11,138,204	1.8
Total equity attributable to equity shareholders of the Company	8,059,008	8,549,338	(5.7)
Net assets per share attributable to equity shareholders of the Company	RMB2.015	RMB2.137	(5.7)
	For the six months ended 30 June 2013 RMB'000	For the six months ended 30 June 2012 RMB'000	Increase/ (decrease) from corresponding period of last year (%)
Turnover	8,717,991	8,328,595	4.7
Operating (loss)/profit	(579,338)	(301,491)	Not applicable
(Loss)/profit before income tax	(595,561)	(308,777)	Not applicable
Net (loss)/profit attributable to equity shareholders of the Company	(491,445)	(216,570)	Not applicable
Net (loss)/profit deducted extraordinary gain and loss attributable to equity shareholders of the Company	(479,278)	(216,169)	Not applicable
Basic (loss)/earnings per share	RMB(0.123)	RMB(0.054)	Not applicable
Diluted (loss)/earnings per share	RMB(0.123)	RMB(0.054)	Not applicable
Basic (loss)/earnings per share net of extraordinary gain and loss	RMB(0.120)	RMB(0.054)	Not applicable
Weighted average return on net assets	(5.92%)	(2.44%)	Decreased by 3.48 percentage points
Weighted average return on net assets net of extraordinary gain and loss	(5.77%)	(2.42%)	Decreased by 3.35 percentage points
Net cash used in operating activities	(725,167)	(503,277)	Not applicable
Net cash used in operating activities per share	RMB(0.181)	RMB(0.126)	Not applicable



### 3. Extraordinary gain and loss items and amount (figures are based on the interim financial report prepared in accordance with the PRC ASBE) (Audited)

Extraordinary gain and loss items	Amount (RMB'000)
Disposal of non-current assets	(2,919)
Government grants recognized in profit or loss during the current period	683
Other non-operating income and expenses excluding the aforesaid items	(13,987)
Effect of income tax	4,056
<b>Total</b>	<b>(12,167)</b>

### 4. Significant differences between the interim financial report of the Company prepared in accordance with the PRC ASBE and IFRS

	Net (loss)/profit attributable to equity shareholders of the Company		Total equity attributable to equity shareholders of the Company	
	For the six months ended 30 June 2013 RMB'000	For the six months ended 30 June 2012 RMB'000	As at 30 June 2013 RMB'000	As at 1 January 2013 RMB'000
PRC ASBE	(491,445)	(216,570)	8,059,008	8,549,338
IFRS	(488,915)	(214,635)	8,024,568	8,513,483

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.

## 4. CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

### 1. Changes in share capital

During the reporting period, there was no change in the total number and structure of shares of the Company arising from bonus issues, placing, etc.

### 2. Shareholdings of major shareholders

#### (1) Number of shareholders

The number of shareholders of the Company as at 30 June 2013 is as follows:

Type	Number of shareholders
Legal person share (A share)	2
Social public share (A share)	30,845
“H” share	522
Total	<u>31,369</u>



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

As at 30 June 2013, 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 31,369

**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*
Sinopec	Domestic legal person shareholder	1,680,000,000	42.00	1,680,000,000	Nil
HKSCC (Nominees) Limited***	Overseas capital shareholder	1,384,925,005	34.62	Circulating shares	Nil
CITIC Limited**	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	19,590,700	0.49	Circulating shares	Not applicable
Zeng Zhao-lin	Domestic circulating shares	2,249,818	0.06	Circulating shares	Not applicable
Lin You-ming	Domestic circulating shares	2,235,510	0.06	Circulating shares	Not applicable
IP KOW	Overseas capital shareholder	1,900,000	0.05	Circulating shares	Not applicable
Wan Yu-xian	Domestic circulating shares	1,888,800	0.05	Circulating shares	Not applicable
Xu Shu-ting	Domestic circulating shares	1,482,441	0.04	Circulating shares	Not applicable
CITIC Securities Limited by Share Ltd Customer Credit Collateral Securities Trading Account	Domestic circulating shares	1,372,868	0.02	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***	1,384,925,005	"H" shares
China Construction Bank-CIFM China Advantage Securities Investment Fund	19,590,700	Circulating "A" shares
Zeng Zhao-lin	2,249,818	Circulating "A" shares
Lin You-ming	2,235,510	Circulating "A" shares
IP KOW	1,900,000	"H" shares
Wan Yu-xian	1,888,800	Circulating "A" shares
Xu Shu-ting	1,482,441	Circulating "A" shares
CITIC Securities Limited by Share Ltd Customer Credit Collateral Securities Trading Account	1,372,868	Circulating "A" shares
Xingye International Trust Company Limited — the New Value of 15 Securities Investment Trust Funds Set	940,240	Circulating "A" shares
Rui Ke-fa	828,087	Circulating "A" shares
Statement on the connected relationship or activities in concert among the above-mentioned shareholders	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 2013, (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 Limited	720,000,000	18.00	27.69	Not applicable	-

\* As at 30 June 2013, CPC holds 73.38% 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 2013, 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. Information on changes of controlling shareholder and the ultimate controller**

There was no change in the controlling shareholder or the ultimate controller of the Company during the reporting period.

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

During the reporting period, the Company had not purchased, sold or redeemed any of the Company's listed securities.

## 5. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### 1. Changes in Directors, Supervisors and Senior Management

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

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

According to the disclosure requirements under the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") of Hong Kong, and under the relevant PRC laws and regulations concerning details of shares of the Company held by the Directors, Supervisors and Senior Management as at 30 June 2013 are as follows:

Name	Title	Number of		Stock Option of the Company held	Reason for change
		"A" shares held at the beginning of the reporting period	"A" shares held at the end of the reporting period		
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
Sun Shao-bo	Supervisor	0	0	Nil	No Change
Chen Jian	Supervisor	0	0	Nil	No Change
Shao Bin	Independent Supervisor	0	0	Nil	No Change
Chu Bing	Independent Supervisor	0	0	Nil	No Change
Li Jian-xin	Deputy General Manager	0	0	Nil	No Change
Zhang Zhong-an	Deputy General Manager	0	0	Nil	No Change
Li Jian-ping	Chief Financial Officer	0	0	Nil	No Change
Tom C. Y. Wu	Secretary to the Board	0	0	Nil	No Change





## **2. Directors', Supervisors' and Senior Management's interests in shares (continued)**

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 2013, 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 as contained in Appendix 10 to the Listing Rules.

At no time during the reporting period was the Company, any of its parent companies 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 2013, 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.

## 6. BUSINESS REVIEW & PROSPECTS

Financial figures, where applicable, contained herein have been extracted from the Company's unaudited interim financial report prepared in accordance with IFRS.

### Interim results

For the six months ended 30 June 2013, the Company's turnover amounted to RMB8,717,991,000, increased by 4.7 per cent compared with RMB8,328,595,000 for the corresponding period of last year. Under the influences of sluggish demand in the polyester market, continuously declining polyester products price and diminution in value of the opening inventory, the loss attributable to equity shareholders of the Company was RMB488,915,000 and basic loss per share was RMB0.122, while the loss attributable to equity shareholders of the Company was RMB214,635,000 and basic loss per share was RMB0.054 in the first half of 2012.

The Board resolved that no interim dividend would be paid for the year ending 31 December 2013 (interim dividend for 2012: Nil). The Board proposed an issue to all holders of the company of 5 new shares for each 10 shares held out of the common reserves of the company.

### Market review

In the first half of 2013, the growth rate of international and domestic economy has slowed down. Due to still sluggish downstream demand and industry downturn of polyester market, domestic polyester products prices dropped significantly, and thus their profit margin shrank seriously. During the first half of 2013, prices of polyester industry chain had gone through the high level to the low level, which dropped to the lowest point in June, maintaining the falling momentum in general.

In the first half of 2013, domestic polyester production capacity had maintained a rapid growth, in which the newly-added polyester production capacity was about 2,430,000 tonnes, and the total polyester production capacity amounted to 40.57 million tonnes at the end of first half of 2013, further aggravating the current over capacity situation. In the first half of 2013, owing to the significant increase in domestic polyester production capacity, domestic polyester fiber production volume increased by 7.6 per cent compared with the corresponding of the last year. As a result, total domestic supply volume of polyester fibre amounted to 16,410,100 tonnes, an increase of 7.8 per cent compared with the corresponding period of last year. Meanwhile, the growth of domestic polyester products demand had slowed down, but owing to the stabilizing and picking up domestic textile and garment export, 12.1 per cent higher than the first half of 2012, which made total domestic consumption volume of polyester fibre was 14,744,700 tonnes, an increase of 8.2 per cent compared with the corresponding period of 2012.



## Market review (continued)

	Domestic supply and demand of polyester fibre								
	Polyester filament			Polyester staple fibre			Polyester fibre		
	First half of 2013	First half of 2012	+/-	First half of 2013	First half of 2012	+/-	First half of 2013	First half of 2012	+/-
	'000 tonnes	'000 tonnes	(%)	'000 tonnes	'000 tonnes	(%)	'000 tonnes	'000 tonnes	(%)
Production volume	11,078.8	10,150.9	9.1	4,635.8	4,454.7	4.1	15,714.6	14,605.6	7.6
Import volume	59.6	62.8	(5.1)	57.9	52.9	9.5	117.5	115.7	1.6
Export volume	592.8	561.2	5.6	329.6	323.7	1.8	922.4	884.9	4.2
Net import	(533.2)	(498.4)	7.0	(271.7)	(270.8)	0.3	(804.9)	(769.2)	4.6
Inventories at the beginning of the period	353.0	305.0	15.7	225.0	203.0	10.8	578.0	508.0	13.8
Inventories at the end of the period	423.0	399.2	6.0	320.0	324.2	(1.3)	743.0	723.4	2.7
Total supply volume	11,491.4	10,518.7	9.2	4,918.7	4,710.6	4.4	16,410.1	15,229.3	7.8
Total consumption volume	10,475.6	9,558.3	9.6	4,269.1	4,062.7	5.1	14,744.7	13,621.0	8.2

Source: The Chemical Fibre Association of China

## Result review

In the first half of 2013, faced with a difficult operating environment, the Company put efforts in further strengthening fine management, optimizing production and operations, reducing its costs and expenses, and optimizing its products structure so as to reduce losses and increase benefits.

## Production and marketing

In the first half of 2013, the Company's production facilities continued to maintained safe and stable operations. Due to the start-up of polyester and staple fibre, the production volume of polyester products increased as compared with the corresponding period of last year. The total production volume of polyester products was 1,198,717 tonnes, an increase of 10.7 per cent compared with 1,083,304 tonnes for the corresponding period of 2012. The capacity utilisation rate of polyester utilities reached 91.9 per cent. The total production volume of PTA was 545,054 tonnes, an increase of 0.7 per cent compared with 541,227 tonnes for the corresponding period of last year. In the first half of 2013, confronted with the unfavorable environment, the Company had strengthened great efforts on the coordination among production, supply and sales, endeavoring to expand sales and increase benefit, and finally realizing a quite fast sales volume growth. The Company's total sales volume of polyester products reached 918,620 tonnes, an increase of 9.7 per cent compared with 837,648 tonnes in the corresponding period of 2012. The Company's export volume of polyester products was 33,699 tonnes, a decrease of 11.2 per cent compared with 37,928 tonnes for the corresponding period of 2012. Excluding the self-consumption volume and other factors, the ratio of sales to production reached 95.3 per cent.

## **New product development and technological innovation**

In the first half of 2013, the Company further optimized its products structure. Meanwhile, responding to the cost and margin situation and market changes, the Company actively optimized its operating plans, and endeavored to produce and sell differentiated products with higher profit. 6 new product development projects and 12 new product industrialization projects were completed. In the first half of 2013, 12 patent applications were filed and 10 patent rights were granted. In the first half of 2013, the Company's total production volume of specialized polyester chips amounted to 545,872 tonnes and the specialized rate was 92.4 per cent, 3.7 percentage points higher than that of the corresponding period of 2012. The total production volume of differential polyester fibre amounted to 319,004 tonnes and the differential rate of polyester fibre was 84.4 per cent, 4.8 percentage points lower than that of the corresponding period of 2012.

## **Cost control**

In the first half of 2013, the weighted average prices (excluding VAT) of the Company's polyester products decreased by 4.8 per cent compared with the corresponding period of last year, while the weighted average purchase prices of principal purchased raw materials of the Company, such as PTA, MEG and PX, decreased by 2.4 per cent compared with the corresponding period of 2012. The Company tried to decrease the consumption of raw materials and energy by further strengthening energy conservation and emission reduction, resulting in the comprehensive energy consumption per RMB10,000 turnover decreasing by 2.6 per cent compared with the corresponding period of 2012. Various cost reduction and expenses control measures were remarkably fulfilled by strictly implementing overall target cost management. In the first half of 2013, by exerting efforts to reduce intermediary sales expenses, the Company's selling expenses decreased by 0.8 per cent from that of the first half of 2012 in the case of increasing in sales volume of polyester products. Due to putting efforts in strengthening fine management and further reducing its costs and expenses, the Company's administrative expenses decreased by 12.0 per cent from that of the first half of 2012. Due to the increase in interest exchange, the net finance income decreased by 91.5 per cent from that of the first half of 2012.

## **Capital expenditure**

In the first half of 2013, the Company's total capital expenditure was RMB167,883,000. To maximize investment contribution, the Company strengthened investment management in accordance with the prudence principle. The 1,4-Butanediol project with an annual capacity of 100,000 tonnes was completed and put into production in the beginning of May. The qualified products were produced and the project is under the stage of improvement and adjustment at present. The construction of differential polyester staple fibre project (the ninth unit) with an annual capacity of 100,000 tonnes and the construction of specialized polyester chip project with an annual capacity of 400,000 tonnes were completed and put into production in May 2013 respectively and its product was put into market smoothly.



## Business prospects

In the second half of 2013, the business situation that the domestic polyester industry is facing remains hardly optimistic. With the world economy slowly recovering and China's economic growth continuing to sustain the slowdown situation, the polyester market demand can hardly be improved in a fast and effective way. In the meantime, the newly increased polyester capacity in the second half of 2013 further enlarges the contradictions between supply and demand of polyester, making the competitive situation of polyester industry extremely severe. Nevertheless, we realize that the polyester industry, presently in the trough, is more likely to rebound in the second half of 2013 along with the gradual implementation of the policy of expanding domestic demand. Besides, it is estimated that the stabilizing and picking-up of China's textile and garment exports will lay a solid foundation of consumer demand for the polyester industry in the second half of 2013.

In the second half of 2013, facing the severe business environment, the Company will take economic benefits as the center, continue the strict enforcement of fine management, vigorously reduce cost and expenses, intensify its efforts in market exploration and technological innovation, dynamically carry out product mix optimization and strive for better operational efficiency. The following will be set as priorities in the second half of 2013:

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

The Company will further intensify the site management, meticulously organize production, strengthen safety monitoring and control over key facilities and important locations to maintain safe and stable operation in long period; give priorities to the stable operation and quality improvement of the 1,4-butanediol project and staple fibre project which have been newly put into operation; enhance the linking-up of production and sales to swiftly adjust product mix and operation load to increase the production of readily marketable and high value-added products; promote product performance to suit customers' demands by continuously stabilizing and improving product quality. In the second half of 2013, the Company's projected production volume of polyester products is 1,307,000 tonnes, and the projected 2013 annual production volume of polyester products is 2,506,000 tonnes, 14.1 per cent higher than production volume in 2012. The Company's projected production volume of PTA for the second half of 2013 is 516,000 tonnes. The projected 2013 annual production volume of PTA is 1,061,000 tonnes, 1.6 per cent higher than that in 2012.

## **Business prospects (continued)**

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

The Company will pay close attention to the market changes, further strengthen the linking-up between production, supply and sales, make efforts to promote the sales of products and carry out low inventory strategy so as to realize full sales of all manufactures products for better economic benefits. Meanwhile, regulate raw material procurement rhythm and control quantities in stock to prevent market risks for the maximum economic benefits. In the second half of 2013, the Company's projected sales volume of polyester products is 1,055,000 tonnes. The 2013 projected sales volume of polyester products is 1,973,000 tonnes, an increase of 12.6 per cent from that of 2012. The ratio of sales to production is expected to reach 100 per cent in the second half of 2013.

### **III. Improve product structure and profit contribution from differential products**

The Company will vigorously facilitate the technological development and product upgrading based on the market orientation to improve the technology content and added value of its products and strive to enhance the benefit contribution of the differentiated products; focus on the technological breakthroughs and quality optimization of high performance PE fibre and aramid fibre with the application fields continued to expand so as to accelerate the industrialization process of the two products. In the second half of 2013, the Company's projected production volume of specialized polyester chips and differential fibre products is 569,000 tonnes and 322,000 tonnes respectively. Specialized rates are expected to be 88.9 per cent and differential rates are expected to be 76.1 per cent.

## **Business prospects (continued)**

### **IV. Greatly reduce cost and expenses and actively promote energy conservation and consumption reduction**

The Company will continue to strictly implement overall target cost management and carry out the cost reduction and expenditure control measures that were set in the year beginning, tightly manage the extra-budgetary fees to achieve the cost control targets; expedite the reflow of corporate income, strictly control the investment expenditures and payments to alleviate the financial pressure; make every attempt to save energy and reduce consumption, cut down energy consumption as well as material consumption by sustained technological upgrading and rigorously enforce fine management to achieve the annual goals of energy conservation and consumption reduction.

### **V. Place more emphasis on developing quality and effectiveness, push forward transformation and upgrading of the company**

The Company will center around the concept of better quality and more effective development to realize its sustainable development by readjusting product mix and raw material structure through the connotative development road of developing new technologies, new products and new market; meticulously organize the optimization and adjustment of the 1,4-Butanediol project with an annual capacity of 100,000 tonnes to realize stable operation at full load in the earliest possible time and make efforts to promote the sales of products; vigorously propel the environment comprehensive improvement project of thermoelectricity manufacturing center, the NCIC-YCFC hydrogen pipeline engineering project and a number of technical renovation items with expectation of having these projects finished construction and put into operation at its quickest; actively launch the construction of second phase high performance PE fibre project with an annual capacity of 3,000 tonnes and para-aramid fibre project with an annual capacity of 3,000 tonnes.

## 7. REPORT OF THE BOARD OF DIRECTORS

The following financial figures, except where specifically noted, are extracted from the Company's unaudited interim financial report prepared in accordance with IFRS.

The Board is pleased to present its report of the board of directors for perusal.

### 1. Review of results of operations and the business prospect of the Company during the reporting period

Please refer to the section headed "Business Review & Prospects" in this Interim Report.

### 2. Management discussion & analysis

#### (1) Interim results

##### A. Turnover

In the first half of 2013, the Company's production facilities maintained safe and stable operations. Due to the start-up of polyester and staple fibre, the production volume of polyester products increased as compared with the corresponding period of last year. The Company's total production volume of polyester products was 1,198,717 tonnes, an increase of 10.7 per cent compared to 1,083,304 tonnes for the corresponding period of 2012. The Company's capacity utilization rate reached 91.9 per cent. In the first half of 2013, the production volume of PTA steadily increased compared with the corresponding period of 2012. The Company's total production volume of PTA was 545,054 tonnes, an increase of 0.7 per cent compared with 541,227 tonnes for the corresponding period of 2012. The average capacity utilization rate for PTA facilities reached 99.9 per cent.

#### Production volume

	For the six months ended 30 June			
	2013		2012	
	Production volume (tonnes)	Percentage of total production volume (%)	Production volume (tonnes)	Percentage of total production volume (%)
Polyester products				
Polyester chips	591,043	49.3	527,839	48.7
Bottle-grade polyester chips	212,634	17.8	199,731	18.4
Staple fibre	303,682	25.3	256,687	23.7
Hollow fibre	32,617	2.7	23,320	2.2
Filament	58,741	4.9	75,727	7.0
<b>Total</b>	<b>1,198,717</b>	<b>100.0</b>	<b>1,083,304</b>	<b>100.0</b>



A. *Turnover (continued)*
**Production volume (continued)**

In the first half of 2013, confronted with the unfavorable environment, the company had strengthened great efforts on the coordination among production, supply and sales, endeavoring to expand sales and increase benefit, and finally realizing a quite fast sales volume growth. The Company's total sales volume of polyester products amounted to 918,620 tonnes, an increase of 9.7 per cent compared with 837,649 tonnes for the corresponding period of 2012. Excluding the self-consumption volume and other factors, the ratio of sales to production reached 95.3 per cent. The Company's export volume of polyester products was 33,699 tonnes, a decrease of 11.2 per cent compared to 37,928 tonnes for the corresponding period of 2012. The weighted average prices (excluding VAT) of the Company's polyester products decreased from RMB9,566/tonne for the corresponding period of 2012 to RMB9,112/tonne for the first half of 2013, representing a 4.8 per cent decrease. Because the decrease in prices of polyester products was more than that of polyester raw material, the profit margin of polyester products of the Company substantially decreased.

**Sales volume**

	For the six months ended 30 June			
	2013		2012	
	Sales volume (tonnes)	Percentage of total sales volume (%)	Sales volume (tonnes)	Percentage of total sales volume (%)
Polyester products				
Polyester chips	354,328	38.6	302,584	36.1
Bottle-grade polyester chips	206,889	22.5	197,572	23.6
Staple fibre	289,870	31.6	258,171	30.8
Hollow fibre	28,062	3.0	21,904	2.6
Filament	39,471	4.3	57,418	6.9
<b>Total</b>	<b>918,620</b>	<b>100.0</b>	<b>837,649</b>	<b>100.0</b>

A. *Turnover (continued)*

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

	For the six months ended 30 June		
	2013	2012	Change (%)
Polyester products			
Polyester chips	<b>8,656</b>	8,918	(2.9)
Bottle-grade polyester chips	<b>9,060</b>	9,595	(5.6)
Staple fibre	<b>9,436</b>	9,970	(5.4)
Hollow fibre	<b>10,795</b>	11,603	(7.0)
Filament	<b>9,896</b>	10,280	(3.7)
Weighted average price	<b>9,112</b>	9,566	(4.8)

**Turnover**

	For the six months ended 30 June			
	2013		2012	
	Turnover RMB'000	Percentage of turnover (%)	Turnover RMB'000	Percentage of turnover (%)
Polyester products				
Polyester chips	<b>3,066,941</b>	<b>35.2</b>	2,698,513	32.4
Bottle-grade polyester chips	<b>1,874,412</b>	<b>21.5</b>	1,895,739	22.8
Staple fibre	<b>2,735,158</b>	<b>31.4</b>	2,573,883	30.9
Hollow fibre	<b>302,927</b>	<b>3.5</b>	254,161	3.0
Filament	<b>390,597</b>	<b>4.4</b>	590,248	7.1
Others	<b>347,954</b>	<b>4.0</b>	316,051	3.8
<b>Total</b>	<b>8,717,991</b>	<b>100.0</b>	8,328,595	100.0

In the first half of 2013, despite the weighted average price of polyester products decreased by 4.8 per cent compared with the corresponding period of 2012, the Company's turnover increased from RMB8,328,595,000 for the corresponding period of 2012 to RMB8,717,991,000 as a result of increase in total sales volume of the polyester products by 9.7 per cent compared with the corresponding period of 2012, representing a 4.7 per cent increase.



*B. Cost of sales*

In the first half of 2013, the Company's cost of sales was RMB8,948,348,000, an increase of RMB665,660,000 compared with RMB8,282,688,000, for the corresponding period of 2012, representing 102.7 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 12.5 per cent, from RMB6,944,528,000 to RMB7,809,335,000, compared with the corresponding period of 2012, accounting for 87.3 per cent of the cost of sales. The increase was mainly due to the rise in consumption volume of raw materials resulting from the increase in the Company's production volume of polyester products. In the first half of 2013, the weighted average price of external purchased polyester raw materials decreased by 2.4 per cent compared with the corresponding period of 2012. Of this decrease, the average purchase costs of PX and PTA decreased by 0.7 per cent and 5.3 per cent respectively, while the average purchase costs of MEG increased by 2.7 per cent, compared with the corresponding period of 2012.

In the first half of 2013, despite turnover increased by 4.7 per cent compared with the corresponding period of 2012, the Company's gross loss was RMB231,357,000 due to increase in cost of sales by 8.0 per cent compared with the corresponding period of 2012. In the first half of 2012, the Company's gross profit was RMB45,907,000.

*C. Selling expenses, administrative expenses and net financial income*

	For the six months ended 30 June		
	2013 RMB'000	2012 RMB'000	Change (%)
Selling expenses	<b>109,521</b>	110,385	(0.8)
Administrative expenses	<b>236,329</b>	268,622	(12.0)
Net financial income	<b>(1,943)</b>	(22,874)	(91.5)
Total	<b>343,907</b>	356,133	(3.4)

C. *Selling expenses, administrative expenses and net financial income (continued)*

In the first half of 2013, by exerting efforts to reduce intermediary sales expenses, the Company's selling expenses decreased by 0.8 per cent from that of the first half of 2012 in the case of increasing in sales volume of polyester products. Due to putting efforts in strengthening fine management and further reducing its costs and expenses, the Company's administrative expenses decreased by 12.0 per cent from that of the first half of 2012. Due to the increase in interest exchange, the net finance income decreased by 91.5 per cent from that of the first half of 2012. The total decrease in selling expenses, administrative expenses and net finance income was 3.4 per cent from that of the first half of 2012.

D. *Operating profit, profit before taxation and profit attributable to equity shareholders of the Company*

	For the six months ended 30 June		
	2013 RMB'000	2012 RMB'000	Change (%)
Operating (loss)/profit	<b>(592,015)</b>	(338,971)	Not applicable
(Loss)/profit before taxation	<b>(593,031)</b>	(306,842)	Not applicable
Income tax (credit)/expense	<b>(104,116)</b>	(92,207)	Not applicable
(Loss)/profit attributable to equity shareholders of the Company	<b>(488,915)</b>	(214,635)	Not applicable
Basic (loss)/earnings per share (in RMB)	<b>(0.122)</b>	(0.054)	Not applicable



D. *Operating profit, profit before taxation and profit attributable to equity shareholders of the Company (continued)*

In the first half of 2013, though the Company has made great efforts in strengthening fine management, optimizing production and operations, endeavoring to further reduce costs and expenses, and optimizing the products structure, the Company's loss before taxation and loss attributable to equity shareholders of the Company was RMB593,031,000 and RMB488,915,000 respectively, while the Company's loss before taxation and loss attributable to equity shareholders of the Company for the first half of 2012 was RMB306,842,000 and RMB214,635,000 respectively, which was due to sluggish demand in the polyester market, continuously declining polyester products price and diminution in value of the opening inventory.

(2) **Financial analysis**

The Company's primary sources of funds come from operating activities and short-term loans, and the funds are primarily used for working capital, capital expenditures and repayment of short-term borrowings.

A. *Assets, liabilities and shareholders' equity analysis*

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000	Variance RMB'000
Total assets	<b>11,335,931</b>	11,138,204	197,727
Current assets	<b>4,741,749</b>	4,578,490	163,259
Non-current assets	<b>6,594,182</b>	6,559,714	34,468
Total liabilities	<b>3,311,363</b>	2,624,721	686,642
Current liabilities	<b>3,257,440</b>	2,569,618	687,822
Non-Current liabilities	<b>53,923</b>	55,103	(1,180)
Total equity attributable to equity shareholders of the Company	<b>8,024,568</b>	8,513,483	(488,915)

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

As at 30 June 2013, the Company's total assets were RMB11,335,931,000, total liabilities were RMB3,311,363,000, and total equity attributable to equity shareholders of the Company was RMB8,024,568,000. Compared with the assets and liabilities as at 31 December 2012 (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 RMB11,335,931,000, an increase of RMB197,727,000 compared with the end of last year. Current assets were RMB4,741,749,000, an increase of RMB163,259,000 compared with the end of last year. The increase was mainly due to the increase in trade and other receivables by RMB217,775,000 owing to the rise in turnover in the first half of 2013. Meanwhile, cash and cash equivalents decreased by RMB121,378,000 due to net cash outflow from operating activities. Non-current assets were RMB6,594,182,000, an increase of RMB34,468,000 compared with the end of last year, mainly due to the increase in deferred tax assets by RMB104,410,000 resulting from recognizing the deferred tax assets according to deductible tax losses in the first half of 2013.

Total liabilities were RMB3,311,363,000, an increase of RMB686,642,000 compared with the end of last year. Current liabilities were RMB3,257,440,000, an increase of RMB687,822,000 compared with the end of last year, mainly due to the increase of RMB761,340,000 in short-term borrowings during the current period. Non-current liabilities were RMB53,923,000, a decrease of RMB1,180,000 compared with the end of last year.

Total equity attributable to equity shareholders of the Company was RMB8,024,568,000, a decrease of RMB488,915,000 compared with the end of last year, mainly due to the loss attributable to equity shareholders of the Company amounting to RMB488,915,000 in the first half of 2013.

As at 30 June 2013, total liabilities to total assets ratio was 29.2 per cent, whereas 23.6 per cent as at 31 December 2012.

B. *Cash flow analysis*

The following table lists major items in the cash flow statement of the Company for the first half of 2013 and 2012.

Major items in cash flow statement	For the six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Net cash used in operating activities	<b>(746,044)</b>	(503,277)
Net cash used in investing activities	<b>(139,608)</b>	(285,113)
Net cash generated from financing activities	<b>762,596</b>	–
Net decrease in cash and cash equivalents	<b>(123,056)</b>	(788,390)
Exchange gains	<b>1,678</b>	–
Cash and cash equivalents at the beginning of the period	<b>162,027</b>	1,506,821
Cash and cash equivalents at the end of the period	<b>40,649</b>	718,431

In the first half of 2013, the Company's net cash outflow from operating activities was RMB746,044,000, representing an increase of cash outflow by RMB242,767,000 compared with the corresponding period of 2012. This was mainly due to the increase in the loss attributable to equity shareholders of the Company during the reporting period compared with the corresponding period of 2012.

In the first half of 2013, the Company's net cash outflow from investing activities was RMB139,608,000, a decrease of cash outflow by RMB145,505,000 compared with the corresponding period of 2012. This was mainly due to the decrease in cash payment for capital expenditure during the reporting period compared with the corresponding period of 2012.

In the first half of 2013, the Company's net cash inflow from financing activities was RMB762,596,000, an increase of cash inflow by RMB762,596,000 compared with the corresponding period of 2012. It was mainly due to the increase in the short-term borrowings of the Company during the reporting period compared with the corresponding period of 2012.

C. *Bank borrowings*

As at 30 June 2013, the Company's bank borrowings were RMB1,166,340,000 (as at 31 December 2012: RMB405,000,000). These borrowings will be due within one year and were fixed-rate loans. Of the total short-term borrowings of the Company as at 30 June 2013, approximately 96.0% were denominated in Renminbi and approximately 4.0% were denominated in US Dollars.

D. *Gearing ratio*

The gearing ratio of the Company was 12.7 per cent for the first half of 2013 (as at 31 December 2012: 4.5 per cent). The ratio is computed as interest-bearing debts divided by the sum of interest-bearing debts and shareholders' equity.

E. *Assets charges*

As at 30 June 2013, there was not any charge in the Company's assets.

F. *Management of foreign exchange risk*

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





### 3. Changes in the relevant items of financial statements (Prepared in accordance with the PRC ASBE)

	For the six months ended 30 June 2013 RMB'000	For the six months ended 30 June 2012 RMB'000	Change (%)
Operating income	<b>8,717,991</b>	8,328,595	4.7
Operating costs	<b>8,812,475</b>	8,130,724	8.4
Selling and distribution expenses	<b>109,521</b>	110,385	(0.8)
General and administrative expenses	<b>374,303</b>	419,070	(10.7)
Net financial income	<b>1,943</b>	22,874	(91.5)
Net cash outflow from operating activities	<b>(725,167)</b>	(503,277)	Not applicable
Net cash outflow from investing activities	<b>(139,608)</b>	(285,113)	Not applicable
Net cash inflow from financing activities	<b>741,719</b>	–	Not applicable
Research and development expenditure	<b>14,244</b>	21,029	(32.3)

In the first half of 2013, the Company's research and development expenditure was RMB14,214,000, representing a decrease of 32.3 per cent as compared with RMB21,029,000 for the first half of 2012. The decrease in research and development expenditure was mainly because partial research projects were not implemented in the first half of 2013. For reason for changes in other items, please refer to the sub-section "Management discussion & analysis" under the section entitled "Report of the Board of Directors" in this Interim Report.

#### 4. Statement of the operations by products (Prepared in accordance with the PRC ASBE)

Products	Operating income for the first half of 2013 RMB'000	Cost of sales for the first half of 2013 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 Chips	3,066,941	3,114,987	(1.6)	13.7	17.6	Decreased by 3.4 percentage points
Bottle-grade polyester chips	1,874,412	1,842,931	1.7	(1.1)	3.4	Decreased by 4.3 percentage points
Staple and hollow fibre	3,038,086	3,037,559	0.0	7.4	12.4	Decreased by 4.4 percentage points
Filament	390,597	466,502	(19.4)	(33.8)	(30.2)	Decreased by 6.3 percentage points

#### 5. Operating income by regions (Prepared in accordance with the PRC ASBE)

Region	Operating income for the first half of 2013 RMB'000	Increase/ (decrease) from last year (%)
Mainland	8,206,708	6.8
Hong Kong, Macau, Taiwan, and overseas	318,830	(12.0)



## 6. Information on the joint venture of the Company (prepared in accordance with the PRC ASBE)

Name of company	Registered capital	Shareholding percentage (%)	Amount of total assets RMB'000	Amount of total liabilities RMB'000	Amount of total net assets RMB'000	Net loss RMB'000
Far Eastern Yihua	US\$230 million	40	1,496,381	41,732	1,454,649	(7,397)

## 7. Capital expenditure

In the first half of 2013, the Company's capital expenditure amounted to RMB167,883,000. The following table provided information on the Company's major construction projects and their returns in the first half of 2013.

Name of Main project	Amount invested in the first half of 2013 RMB'000	Progress of project	Project return (Actual production volume)
1,4-butanediol project with an annual capacity of 100,000 tonnes	59,900	Completed and put into trial production	4,738 tonnes
Specialised polyester chip project with an annual capacity of 400,000 tonnes (of which: the fifteenth unit)	43,883	Completed and put into trial production	26,175 tonnes
Differential staple fibre project with an annual capacity of 100,000 tonnes (the ninth unit)	40,943	Completed and put into trial production	5,139 tonnes
NCIC-YCFC hydrogen pipeline engineering project	5,481	Under construction	–
Others	17,676	–	–
<b>Total</b>	<b>167,883</b>	–	<b>36,052 tonnes</b>

## 7. Capital expenditure (continued)

The Company's capital expenditure for the second half of 2013 is projected to be approximately RMB302,833,000. The amount will be invested in thermoelectricity manufacturing center environment comprehensive improvement project, NCIC-YCFC hydrogen pipeline engineering project, and the other projects on technical improvement and saving energy consumption. In the second half of 2013, in order to maximize return on investment, the Company 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.

By Order of the Board

**Lu Li-yong**

*Chairman*

29 August 2013, Nanjing

## 8. SIGNIFICANT EVENTS

### 1. Improvement of corporate governance

During the reporting period, the Company was able to regulate its operations in accordance with domestic and overseas regulatory requirements. The corporate governance of the Company had nothing inconsistent with the regulatory requirements on corporate governance of listed companies laid down by the CSRC. 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 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. Improvement of internal control system

It is responsibility for the Board and Management of the Company to establish, and improve and effectively implement internal control system. In the first half of 2013, the Company continued to reinforce the awareness of work process and awareness of risk control. Besides, the Company further expanded the coverage of its internal control system, strengthened the prevention and control of major risks, streamlined the process of specialized work and enhanced the testing quality.

In light of the new regulatory requirements both domestic and overseas, the seventh meeting of the seventh term of the Board held on 25 March 2013 has conducted the self-assessment of internal control system involving financial report for 2012 in accordance with the Fundamental Principles Governing Internal Control and Supporting Guidelines for Enterprises Internal Control. The Board is of the opinion that there is no significant default in the internal control system as at 31 December 2012 and considered that the internal control system relating financial report was sound and effectively implemented. The Evaluation Report of the Board on Internal Control System was considered and approved by the seventh meeting of the seventh term of the Board, and was disclosed on the website of SSE and HKSE.

## **2. Improvement of internal control system (continued)**

Pursuant to the related regulatory requirements, the Company engaged KPMG Huazhen to audit internal control regarding financial report. On 25 March 2013, KPMG Huazhen issued the unqualified audit opinions and considered the Company maintained, in all material aspects, effective internal control regarding financial report on 31 December 2012.

The internal control system (2013 Revision) was examined, revised and approved by the tenth meeting of the seventh term of the Board held on 29 August 2013.

## **3. Material litigation, arbitration and events commonly disputable by the media**

During the reporting period, the Company was not involved in any material litigation or arbitration or events commonly disputable by the media.

## **4. Compliance with the Code on Corporate Governance Practices**

For the six months ended 30 June 2013, the Company has complied with all the code provisions under the Code on Corporate Governance Practices set out in Appendix 14 to the HKEX Listing Rules, except that:

The Company has not set up a nomination committee as at the end of the reporting period. The Company nominated the Director candidates pursuant to the Articles of Association of the Company. Pursuant to the Articles of Association of the Company, the candidates for independent directors may be nominated by the Board, the Supervisory Committee, or shareholders holding individually or collectively more than one per cent of the issued shares of the Company. The candidates for the remaining directors shall be nominated by the Board, the Supervisory Committee, or shareholders holding individually or collectively more than three per cent of the issued shares of the Company. All candidates should be elected by the shareholders' general meeting of the Company.



5. 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 8 June 2013 once again. After performing the operation process of share reform, the “Share Reform Scheme of Sinopec Yizheng Chemical Fibre Company Limited” was passed by the shareholders’ meeting of A share market relating to the share reform scheme held on 8 July 2013. After the performance of the related procedure on implementing share reform, the implementation of the Company’s share reform has been completed on 20 August 2013.

**6. Final dividends for 2012, internal dividends for 2013 and proposal on issue of shares by capitalizing the common reserves**

**(a) Final dividends for 2012**

As approved by 2012 AGM held on 14 June 2013, the Company did not pay a final cash dividend for the year ended 31 December 2012, according to the Company Law and the Articles of Association of the Company.

**(b) Internal dividends for 2013 and proposal on issue of shares by capitalizing the common reserves**

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 2013.

The Board proposes for an issue to all holders of the Company of 5 new shares for each 10 shares held out of the common reserves of the Company. Based on the total share capital of 4.0 billion shares as at 30 June 2013, total 2.0 billion shares will be newly increased. Such proposal will be subject to the approval by the shareholders at a general meeting of the Company, and at the class meetings of the holders of A Shares and of the holders of H Shares of the Company respectively.

## 7. Acquisitions, disposals of assets and mergers

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

## 8. Information on significant connected transactions

The Company's material connected transactions entered into during the period ended 30 June 2013 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	5,660,824	67.0

The Company 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 Company 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 Company. These transactions were mainly negotiated at market prices. The above transactions have no adverse effect on the profit of the Company and independence of the Company.





## 8. Information on significant connected transactions (continued)

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

The Company entered into a letter of intent on 19 June 2013 with Sinopec Asset Management, a subsidiary of CPC, for the proposed transfer of 50% equity interest in Yihua Toray and 40% equity interest in Yihua Bonar to the Company. The related announcement was disclosed in China Securities, Shanghai Securities News, Securities Times and the website of HKSE on 20 June 2013.

- (c) The following is connected obligatory rights and debts during the reporting period:

**Unit: RMB'000**

Connected parties	Funds provided to connected party			Funds provided to the Company by connected party		
	Opening balance	Occurrence amount	Closing balance	Opening balance	Occurrence amount	Closing balance
Sinopec Finance	-	-	-	300,000	200,000	500,000

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

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 ASBE.

## 9. External investment

### (a) Investment in securities

During the reporting period, there was no investment in securities.

### (b) Interest in other listed securities held by the Company

During the reporting period, the Company did not hold any shares of other listed companies.

### (c) Shareholding of the Company in financial corporations such as commercial banks, securities companies, insurance companies, trust companies and future companies

During the reporting period, the Company did not hold any shares of financial institutions such as commercial banks, securities companies, insurance companies, trust companies and future companies.

## 10. Material contracts and performance

(a) During the reporting period, there were no trusteeship, sub-contracting and leasing of properties of other companies by the Company which would contribute profit to the Company of 10 per cent or more of its total profits for the current period.

(b) The Company did not make any guarantee or pledge during the reporting period.

The resolution regarding the provision of guarantee by the Company for loan facility to be obtained by Far Eastern Yihua was approved by the 2012 AGM held on 14 June 2013. The Company shall provide a guarantee in respect of the loan facility to be obtained by Far Eastern Yihua of up to USD350 million in proportion to the Company's percentage equity interest in Far Eastern Yihua. At present, the Company owned 40% interest in Far Eastern Yihua. As at 30 June 2013, the amount of guarantee by the Company was nil.

(c) The Company did not entrust any other person on wealth management during the reporting period.

(d) Save as disclosed in this interim report, during the reporting period, the Company did not enter into any material contract which requires disclosure.

**11. Compliance with the Model Code**

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 during the reporting period.

**12. Engagement and disengagement of firm of accountants**

The Company has changed its firm of accountants during the reporting period.

Under the relevant requirements by the PRC's Ministry of Finance and the PRC's State-owned Assets Supervision and Administration Commission of the State Council, there are certain limits to the number of years for which an auditor may continuously undertake financial auditing work in respect of a state-owned enterprise and its subsidiaries. As such, the seventh meeting of the seventh term Board of Directors of the Company has proposed to appoint PricewaterhouseCoopers Zhong Tian CPAs (Special General Partnership) and PricewaterhouseCoopers as the Company's domestic and international auditors for 2013, and appoint PricewaterhouseCoopers Zhong Tian CPAs (Special General Partnership) as the Company's auditor regarding internal control for 2013. Such proposal has been approved by the shareholders of the Company at the 2012 AGM.

**13.** During the reporting period, the Company did not implemented stock option plan.

## 14. Performance of undertaking

The special commitments by the Company and its shareholders with holdings of more than 5 per cent and the implementation of commitments ending 30 June 2013:

Commitment Background	Acceptance	Commitments	Performance of commitments
Commitments regarding share reform	Sinopec, CITIC Limited	<p>within 6 months from the date their non-tradeable A shares in the Company have obtained the right to be tradeable on the stock market, they will propose to convene a general meeting of the Company to consider a proposal for an issue to all holders of A Shares and H Shares of the Company of 4 or more new shares for each 10 shares held out of the common reserves of the Company, and will vote for the resolution at the general meeting of the Company to approve such proposal.</p>	<p>The plan of transferring capital reserve, proposed in the tenth meeting of the Board held on 29 August 2013, will be submitted to the shareholders' meeting and class shareholders' meeting of the Company for approval</p>
		<p>within 12 months from the date their non-tradeable A shares in the Company have obtained the right to be tradeable on the stock market, they will propose that, subject to compliance with the relevant systems of the State-owned Assets Supervision and Administration Commission of the State Council, the Ministry of Finance and CSRC, the board of directors of the Company makes a proposal for a share option incentive scheme, with the exercise price of the first grant of share options being not less than RMB6.64 per A share, being the closing price of the A Shares on 30 May 2013 (such minimum exercise price will be subject to adjustment due to matters for exclusion of rights and dividends prior to the announcement of the proposal for the share option incentive scheme)</p>	<p>During the reporting period, Sinopec and CITIC Limited did not breach any relevant undertaking</p>
	Sinopec	<p>Sinopec will continue to support the Company's future development after completion of the Company's share reform to accelerate its transformation and development, and will take it as the development platform for related businesses henceforth.</p>	<p>During the reporting period, Sinopec did not breach any relevant undertaking</p>

**15. Penalties on the Company and its Directors, Supervisors, senior management, shareholders who hold more than five per cent of the Company's shares, ultimate controller and remedies thereto**

During the reporting period, none of the Company or its Directors, Supervisors, senior management, shareholders who hold more than five per cent of the Company's shares or ultimate controller was subject to any investigation by relevant authorities or enforcement by judicial or disciplinary departments or subject to criminal liability, or subject to investigation or administrative penalty by the CSRC, nor any denial of participation in the securities market or deemed unsuitability to act as directors thereby by other administrative authorities or any public criticisms made by a stock exchange.

- 16.** Save as those disclosed above, during the reporting period, the Company 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".

## 9. FINANCIAL REPORT

### (A) Prepared in accordance with PRC Accounting Standards for Business Enterprises

#### Auditor's Report

##### **To the Board of Directors of Sinopec Yizheng Chemical Fibre Company Limited:**

We have audited the accompanying interim financial statements of Sinopec Yizheng Chemical Fibre Company Limited (hereinafter "the Company"), which comprise the balance sheet as at 30 June 2013, the income statement, the cash flow statement and the statement of changes in shareholders' equity for the six months period then ended and the notes to the financial statements.

##### **Management's Responsibility for the Interim Financial Statements**

Management of the Company is responsible for the preparation and fair presentation of these interim financial statements in accordance with the requirements of Accounting Standards for Business Enterprises, and for such internal control as management determines is necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

##### **Auditor's Responsibility**

Our responsibility is to express an opinion on these interim financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the interim financial statements are free from material misstatement.

### **Auditor's Report (continued)**

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the interim financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the interim financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the interim financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the interim financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion**

In our opinion, the accompanying interim financial statements present fairly, in all material respects, the financial position of the Company as at 30 June 2013, and its financial performance and cash flow for the six months period then ended in accordance with the requirements of Accounting Standards for Business Enterprises.

#### **Other matters**

The comparative figures, including the income statement, the cash flow statement and the statement of changes in shareholders' equity for the six months period ended 30 June 2012 and related notes to financial statements, are not audited.

**PricewaterhouseCoopers**  
**Zhong Tian LLP**

Shanghai, the People's Republic of China

29 August 2013

\* *English Translation for Reference Only*

## Balance Sheet

As at 30 June 2013

(All amounts in RMB'000 Yuan unless otherwise stated)

[English translation for reference only]

ASSETS	Notes	30 June 2013	31 December 2012
<b>Current assets</b>			
Cash at bank and on hand	4(1)	60,649	162,027
Notes receivable	4(2)	2,294,794	2,092,377
Accounts receivable	4(3)	147,844	142,501
Advances to suppliers	4(5)	38,489	38,106
Other receivables	4(4)	43,245	17,608
Inventories	4(6)	1,792,890	1,735,734
Other current assets	4(7)	376,881	390,137
<b>Total current assets</b>		<b>4,754,792</b>	4,578,490
<b>Non-current assets</b>			
Long-term equity investments	4(8)	581,860	584,819
Fixed assets	4(9)	3,353,290	3,495,550
Construction in progress	4(10)	1,812,864	1,870,881
Intangible assets	4(11)	281,173	296,425
Long-term prepaid expenses	4(12)	135,503	-
Deferred tax assets	4(13)	416,449	312,039
<b>Total non-current assets</b>		<b>6,581,139</b>	6,559,714
<b>TOTAL ASSETS</b>		<b>11,335,931</b>	11,138,204





### Balance Sheet (continued)

As at 30 June 2013

(All amounts in RMB'000 Yuan unless otherwise stated)

[English translation for reference only]

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	30 June 2013	31 December 2012
<b>Current liabilities</b>			
Short-term borrowings	4(15)	1,166,340	405,000
Notes payable	4(16)	200,000	-
Accounts payable	4(17)	1,265,213	1,535,245
Advances from customers	4(18)	214,202	311,022
Employee benefits payable	4(19)	59,352	60,269
Taxes payable	4(20)	1,762	13,081
Interest payable	4(21)	1,541	393
Other payables	4(22)	349,030	244,608
<b>Total current liabilities</b>		<b>3,257,440</b>	2,569,618
<b>Non-current liabilities</b>			
Deferred income	4(23)	19,483	19,248
<b>Total liabilities</b>		<b>3,276,923</b>	2,588,866
<b>Shareholders' equity</b>			
Share capital	4(24)	4,000,000	4,000,000
Capital surplus	4(25)	3,146,794	3,146,794
Specific reserve	4(26)	1,195	80
Surplus reserve	4(27)	200,383	200,383
Undistributed profits	4(28)	710,636	1,202,081
<b>Total shareholders' equity</b>		<b>8,059,008</b>	8,549,338
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>11,335,931</b>	11,138,204

The accompanying notes form an integral part of these financial statements.

**Lu Liyong**  
Legal representative

**Xiao Weizhen**  
General Manager

**Li Jianping**  
Chief Financial Officer

**Wang Junsong**  
Vice Director of  
the Asset and  
Accounting  
Department

### Income Statement

For the six months period ended 30 June 2013  
(All amounts in RMB'000 Yuan unless otherwise stated)  
[English translation for reference only]

	Notes	For the six months period ended 30 June	
		2013	2012
<b>1. Revenue</b>	4(29)	<b>8,717,991</b>	8,328,595
Less: Cost of sales	4(29)	<b>(8,812,475)</b>	(8,130,724)
Taxes and surcharges	4(30)	<b>(29)</b>	(384)
Selling and distribution expenses	4(31)	<b>(109,521)</b>	(110,385)
General and administrative expenses	4(32)	<b>(374,303)</b>	(419,070)
Financial income — net	4(33)	<b>1,943</b>	22,874
Asset impairment loss	4(34)	<b>15</b>	(1,652)
Investment (loss)/income	4(35)	<b>(2,959)</b>	9,255
Including: Share of (loss)/profit of a joint venture		<b>(2,959)</b>	2,504
<b>2. Operating loss</b>		<b>(579,338)</b>	(301,491)
Add: Non-operating income	4(36)	<b>1,305</b>	2,116
Less: Non-operating expenses	4(37)	<b>(17,528)</b>	(9,402)
Including: Loss on disposal of non-current assets		<b>(3,360)</b>	(4,146)
<b>3. Total loss</b>		<b>(595,561)</b>	(308,777)
Less: Income tax expenses	4(38)	<b>104,116</b>	92,207
<b>4. Net loss</b>		<b>(491,445)</b>	(216,570)
<b>5. Loss per share</b>	4(39)		
Basic loss per share (RMB Yuan)		<b>(0.123)</b>	(0.054)
Diluted loss per share (RMB Yuan)		<b>(0.123)</b>	(0.054)
<b>6. Other comprehensive income</b>		<b>—</b>	—
<b>7. Total comprehensive expense</b>		<b>(491,445)</b>	(216,570)

The accompanying notes form an integral part of these financial statements.

**Lu Liyong**  
Legal representative

**Xiao Weizhen**  
General Manager

**Li Jianping**  
Chief Financial Officer

**Wang Junsong**  
Vice Director of  
the Asset and  
Accounting  
Department



## Cash Flow Statement

For the six months period ended 30 June 2013

(All amounts in RMB'000 Yuan unless otherwise stated)

[English translation for reference only]

		For the six months period ended 30 June	
		2013	2012
		<i>Notes</i>	
<b>1.</b>	<b>Cash flows from operating activities</b>		
	Cash received from sales of goods	8,490,195	8,782,710
	Refund of taxes and surcharges	1,191	2,019
	<b>Sub-total of cash inflows</b>	<b>8,491,386</b>	<b>8,784,729</b>
	Cash paid for goods and services	(8,526,094)	(8,533,924)
	Cash paid to and on behalf of employees	(458,092)	(411,107)
	Payments of taxes and surcharges	(26,610)	(94,197)
	Cash paid relating to other operating activities	4(40)(a) (205,757)	(248,778)
	<b>Sub-total of cash outflows</b>	<b>(9,216,553)</b>	<b>(9,288,006)</b>
	<b>Net cash flows from operating activities</b>	4(41)(a) <b>(725,167)</b>	<b>(503,277)</b>
<b>2.</b>	<b>Cash flows from investing activities</b>		
	Cash received from disposal of investments	–	406,751
	Net cash received from disposal of fixed assets	1,074	1,520
	Cash received relating to other investing activities	4(40)(b) 1,977	19,255
	<b>Sub-total of cash inflows</b>	<b>3,051</b>	<b>427,526</b>
	Cash paid to acquire fixed assets and intangible assets	(122,659)	(401,271)
	Cash paid to acquire investments	–	(111,368)
	Cash paid to acquire financial assets	(20,000)	(200,000)
	<b>Sub-total of cash outflows</b>	<b>(142,659)</b>	<b>(712,639)</b>
	<b>Net cash flows from investing activities</b>	<b>(139,608)</b>	<b>(285,113)</b>

### Cash Flow Statement (continued)

For the six months period ended 30 June 2013

(All amounts in RMB'000 Yuan unless otherwise stated)

[English translation for reference only]

		For the six months period ended 30 June	
	Notes	2013	2012
<b>3.</b>	<b>Cash flows from financing activities</b>		
	Cash received from borrowings	1,357,724	–
	<b>Sub-total of cash inflows</b>	<b>1,357,724</b>	<b>–</b>
	Cash repayments of borrowings	(595,128)	–
	Cash payments for interest expenses	(20,877)	–
	<b>Sub-total of cash outflows</b>	<b>(616,005)</b>	<b>–</b>
	<b>Net cash flows from financing activities</b>	<b>741,719</b>	<b>–</b>
<b>4.</b>	<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>	<b>1,678</b>	<b>–</b>
<b>5.</b>	<b>Net decrease in cash and cash equivalents</b>	<b>(121,378)</b>	<b>(788,390)</b>
	Add: Cash and cash equivalents at beginning of period	162,027	1,541,821
<b>6.</b>	<b>Cash and cash equivalents at end of period</b>	<b>40,649</b>	<b>753,431</b>

The accompanying notes form an integral part of these financial statements.

**Lu Liyong**  
Legal representative

**Xiao Weizhen**  
General Manager

**Li Jianping**  
Chief Financial Officer

**Wang Junsong**  
Vice Director of  
the Asset and  
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Department



## Statement of Changes In Shareholders' Equity

For the six months period ended 30 June 2013

(All amounts in RMB'000 Yuan unless otherwise stated)

[English translation for reference only]

Item	Share capital	Capital surplus	Specific reserve	Surplus reserves	Undistributed profits	Total shareholders' equity
<b>Balance at 1 January 2012</b>	4,000,000	3,146,794	–	200,383	1,683,448	9,030,625
<b>Movements for the six months period ended 30 June 2012</b>						
Net loss	–	–	–	–	(216,570)	(216,570)
Profit distribution						
— distribution to shareholders	–	–	–	–	(120,000)	(120,000)
Production safety fund						
— accrual	–	–	550	–	–	550
— utilisation	–	–	(30)	–	–	(30)
<b>Balance at 30 June 2012</b>	<b>4,000,000</b>	<b>3,146,794</b>	<b>520</b>	<b>200,383</b>	<b>1,346,878</b>	<b>8,694,575</b>
<b>Movements for the six months period ended 31 December 2012</b>						
Net loss	–	–	–	–	(144,797)	(144,797)
Production safety fund						
— accrual	–	–	370	–	–	370
— utilisation	–	–	(810)	–	–	(810)
<b>Balance at 31 December 2012</b>	<b>4,000,000</b>	<b>3,146,794</b>	<b>80</b>	<b>200,383</b>	<b>1,202,081</b>	<b>8,549,338</b>
<b>Balance at 1 January 2013</b>	<b>4,000,000</b>	<b>3,146,794</b>	<b>80</b>	<b>200,383</b>	<b>1,202,081</b>	<b>8,549,338</b>
<b>Movements for the six months period ended 30 June 2013</b>						
Net loss	–	–	–	–	(491,445)	(491,445)
Production safety fund						
— accrual	–	–	1,199	–	–	1,199
— utilisation	–	–	(84)	–	–	(84)
<b>Balance at 30 June 2013</b>	<b>4,000,000</b>	<b>3,146,794</b>	<b>1,195</b>	<b>200,383</b>	<b>710,636</b>	<b>8,059,008</b>

The accompanying notes form an integral part of these financial statements.

**Lu Liyong**  
Legal representative

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General Manager

**Li Jianping**  
Chief Financial Officer

**Wang Junsong**  
Vice Director of  
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Department

## Notes to the financial statements

(All amounts in RMB'000 Yuan unless otherwise stated)

### 1 General information

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

The Company issued 1 billion H share in March 1994, 200 million A share in January 1995 and further 400 million new H share in April 1995. The Company's H share and new H share were listed on HKSE on 29 March 1994 and 26 April 1995 respectively, and the Company's A share was listed on SSE 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 Corporation ("CITIC", formerly "CITIC Group") continues to hold 720,000,000 A shares (representing 18% of the Company's issued share capital) 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, in total 1,600,000,000 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.

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".

On 27 December 2011, CITIC established CITIC Limited in PRC and a restructuring agreement was signed. Whereby 720,000,000 of the Company's non-public shares held by CITIC have been transferred to CITIC Limited as part of its capital contributions on 25 February 2013 and CITIC limited thus holds 18% of the Company's share capital.

The Company is principally engaged in the production of chemical fibre, chemical products and its raw materials, ancillary raw materials and textile machinery, research and development in textile technology and technological services, instalment and maintenance of equipment and facilities, power generation, computer and software service; and services of accommodation, catering, culture and entertainment (limited to branches).

These financial statements have been approved for issue by the Company's Board of Directors on 29 August 2013.



## 2 Summary of significant accounting policies and accounting estimates

### (1) **Basis of preparation**

The financial statements were prepared in accordance with the Basic Standard and 38 specific standards of the *Accounting Standards for Business Enterprises* issued by the Ministry of Finance on 15 February 2006, and the *Application Guidance for Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises* and other relevant regulations issued thereafter (hereafter collectively referred to as “the Accounting Standards for Business Enterprises” or “CAS”) and the disclosure requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15 — General Rules on Financial Reporting (2010 revised) issued by the China Securities Regulatory Commission.

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

These financial statements for the six months period ended 30 June 2013 (the “reporting period”) are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position of the Company as of 30 June 2013 and of their financial performance, cash flows and other information for the six months period then ended.

### (3) **Accounting year**

The Company’s accounting year starts on 1 January and ends on 31 December.

### (4) **Recording currency**

The recording currency is Renminbi (RMB). Recording currency is determined by the Company on the basis of the currency in which major income and costs are denominated and settled.

### (5) **Cash and cash equivalents**

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

### (6) **Foreign currency translation — Foreign currency transactions**

Foreign currency transactions are translated into RMB using the exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into RMB using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are recognised in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition or construction of qualifying assets, which are capitalised as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

## 2 Summary of significant accounting policies and accounting estimates (continued)

### (7) Financial instruments

#### (a) Financial assets

##### (i) Classification of financial assets

Financial assets are classified into the following categories at initial recognition: financial assets at fair value through profit or loss, receivables, available-for-sale financial assets and held-to-maturity investments. The classification of financial assets depends on the Company's intention and ability to hold the financial assets.

##### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for the purpose of selling in the short term. They are presented as financial assets held for trading on the balance sheet.

##### Receivables

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

##### Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories at initial recognition. Available-for-sale financial assets are included in other current assets on the balance sheet if management intends to dispose of them within 12 months after the balance sheet date.

##### Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed maturity and fixed or determinable payments that management has the positive intention and ability to hold to maturity. Held-to-maturity investments with maturities over 12 months when the investments were made but are due within 12 months at the balance sheet date are included in the current portion of non-current assets; held-to maturity investments with maturities no more than 12 months when the investments were made are included in other current assets.



## 2 Summary of significant accounting policies and accounting estimates (continued)

### (7) Financial instruments (continued)

#### (a) Financial assets (continued)

##### (ii) Recognition and measurement

Financial assets are recognised at fair value on the balance sheet when the Company becomes a party to the contractual provisions of the financial instrument. In the case of financial assets at fair value through profit or loss, the related transaction costs incurred at the time of acquisition are recognised in profit or loss for the current period. For other financial assets, transaction costs that are attributable to the acquisition of the financial assets are included in their initially recognised amounts.

Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently measured at fair value. Investments in equity instruments are measured at cost when they do not have a quoted market price in an active market and whose fair value cannot be reliably measured. Receivables and held-to-maturity investments are measured at amortised cost using the effective interest method.

Gains or losses arising from change in the fair value of financial assets at fair value through profit or loss are recognised in profit or loss. Interests and cash dividends received during the period in which such financial assets are held, as well as the gains or losses arising from disposal of these assets are recognised in profit or loss for the current period.

Gains or losses arising from change in fair value of available-for-sale financial assets are recognised directly in equity, except for impairment losses and foreign exchange gains and losses arising from translation of monetary financial assets. When such financial assets are derecognised, the cumulative gains or losses previously recognised directly into equity is recycled into profit or loss for the current period. Interests on available-for-sale investments in debt instruments calculated using the effective interest method during the period in which such investments are held and cash dividends declared by the investee on available-for-sale investments in equity instruments are recognised as investment income, which is recognised in profit or loss for the period.

## 2 Summary of significant accounting policies and accounting estimates (continued)

### (7) Financial instruments (continued)

#### (a) Financial assets (continued)

##### (iii) Impairment of financial assets

The Company assesses the carrying amounts of financial assets other than those at fair value through profit or loss at each balance sheet date. If there is objective evidence that a financial asset is impaired, an impairment loss is provided for.

Objective evidence that a financial asset is impaired includes but is not limited to:

- (a) significant financial difficulty of the debtor or obligor;
- (b) a breach of contract by the borrower, 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 disappearance of an active market for that financial asset because of financial difficulties faced by the issuer;
- (e) significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of an investment in an equity instrument may not be recovered by the investor; and
- (f) a significant decline in the fair value of an investment in an equity instrument below its cost (ie., fair value decline over 20%) or a prolonged decline (ie., fair value decline lasting six months) etc.

When an impairment loss on a financial asset carried at amortised cost has occurred, the amount of loss is provided for at the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred). If there is objective evidence that the value of the financial asset recovered and the recovery is related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and the amount of reversal is recognised in profit or loss.

## 2 Summary of significant accounting policies and accounting estimates (continued)

### (7) Financial instruments (continued)

#### (a) Financial assets (continued)

##### (iii) Impairment of financial assets (continued)

If there is objective evidence that an impairment loss on available-for-sale financial assets incurred, the cumulative losses arising from the decline in fair value that had been recognised directly in equity are transferred out from equity and into impairment loss. For an investment in debt instrument classified as available-for-sale on which impairment losses have been recognised, if, in a subsequent period, its fair value increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the previously recognised impairment loss is reversed into profit or loss for the current period. For an investment in an equity instrument classified as available-for-sale on which impairment losses have been recognised, the increase in its fair value in a subsequent period is recognised directly in equity.

##### (iv) Derecognition of financial assets

A financial asset is derecognised when any of the below criteria is met: (i) the contractual rights to receive the cash flows from the financial asset expire; (ii) the financial asset has been transferred and the Company transfers substantially all the risks and rewards of ownership of the financial asset to the transferee; or (iii) the financial asset has been transferred and the Company has not retained control of the financial asset, although the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and the cumulative changes in fair value that had been recognised directly in equity, is recognised in profit or loss.

#### (b) Financial liabilities

Financial liabilities are classified into the following categories at initial recognition: financial liabilities at fair value through profit or loss and other financial liabilities. The financial liabilities of the Company mainly comprise other financial liabilities, including payables and borrowings etc..

Payables, including accounts payable and other payables, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings and debentures payable are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

## 2 Summary of significant accounting policies and accounting estimates (continued)

### (7) Financial instruments (continued)

#### (b) Financial liabilities (continued)

Other financial liabilities with maturities no more than one year are classified as current liabilities. Other financial liabilities with maturities over one year but are due within one year at the balance sheet date are classified as the current portion of non-current liabilities. Others are classified as non-current liabilities.

A financial liability is derecognised or partly derecognised when the current obligation is discharged or partly discharged. The difference between the carrying amount of the financial liability or the derecognised part of the financial liability and the consideration paid is recognised in profit or loss.

#### (c) Presentation of financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in balance sheet and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the balance sheet when both of the following conditions are satisfied:

- The Company has a legal right to set off the recognised amounts and the legal right is currently enforceable; and
- The Company intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

#### (d) Determination of fair value of financial instrument

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. Valuation techniques include using prices of recent market transactions between knowledgeable and willing parties, reference to the current fair value of another financial asset that is substantially the same with this instrument, and discounted cash flow analysis, etc. When a valuation technique is used to establish the fair value of a financial instrument, it makes the maximum use of observable market inputs and relies as little as possible on entity-specific inputs.

### (8) Receivables

Receivables comprise accounts receivable and other receivables. Accounts receivable arising from sale of goods or rendering of services are initially recognised at fair value of the contractual payments from the buyers or service recipients.

#### (a) Receivables with amounts that are individually significant and subject to separate assessment for provision for bad debts

Receivables with amounts that are individually significant are subject to assessment for impairment on the individual basis. If there exists objective evidence that the Company will not be able to collect the amount under the original terms, a provision for impairment of that receivable is made.



**2 Summary of significant accounting policies and accounting estimates (continued)**

**(8) Receivables (continued)**

- (a) Receivables with amounts that are individually significant and subject to separate assessment for provision for bad debts (continued)  
The criterion for determining "individually significant" amounts is that any individual amount is more than 5% of the balance of receivables.

The method of providing for bad debts for those individually significant amounts is as follows: the amount of the present value of the future cash flows expected to be derived from the receivable below its carrying amount.

- (b) Receivables that are subject to provision for bad debts on the grouping basis  
Receivables with amounts that are not individually significant and those receivables that have been individually assessed for impairment and have not been found impaired are classified into certain groupings based on their credit risk characteristics. The provision for bad debts is determined based on the historical loss experience for the groupings of receivables with similar credit risk characteristics, taking into consideration of the current circumstances.

The method of determining provision for bad debts is the ageing analysis method, and the provision ratios are as follows:

	Provision ratios used for accounts receivable	Provision ratios used for other receivables
Within 1 year (inclusive)	–	–
Over 1 year but within 2 years (inclusive)	30%	30%
Over 2 years but within 3 years (inclusive)	60%	60%
Over 3 years	100%	100%

- (c) Receivables with amounts that are not individually significant but subject to separate assessment for provision for bad debts  
The reason for making separate assessment for provision for bad debts is that there exists objective evidence (for example receivables which are overdue more than 1 year or with special characteristics) that the Company will not be able to collect the amount under the original terms of the receivable.

The provision for bad debts is determined based on the amount of the present value of the future cash flows expected to be derived from the receivable below its carrying amount.

## 2 Summary of significant accounting policies and accounting estimates (continued)

### (9) Inventories

- (a) Classification  
Inventories include raw materials, work in progress, finished goods, spare parts and turnover materials, and are measured at the lower of cost and net realisable value.
- (b) Costing of inventories  
Cost is determined using the weighted average method. The cost of finished goods and work in progress comprise raw materials, direct labour and systematically allocated production overhead based on the normal production capacity.
- (c) Basis for determining net realisable values of inventories and method for making provision for decline in the value of inventories  
Provision for decline in the value of inventories is determined at the excess amount of the carrying amounts of the inventories over their net realisable value. Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale and related taxes.
- (d) The Company adopts the perpetual inventory system
- (e) Amortisation methods of spare parts and turnover materials  
Turnover materials include low-value consumables, packaging materials and other materials. Spare parts and turnover materials are amortised into expenses in full.

### (10) Long-term equity investments

Long-term equity investment is the Company's long-term equity investment in its joint venture. Joint ventures are the investees over which the Company is able to exercise joint control together with other venturers.

- (a) Determination of investment cost  
The Company's interest in the joint ventures is acquired by payment in cash and the initial investment cost shall be the purchase price actually paid.
- (b) Subsequent measurement and recognition of related profit and loss  
For long-term equity investments in joint ventures accounted for using the equity method, where the initial investment cost of a long-term equity investment exceeds the Company's share of the fair value of the investee's identifiable net assets at the acquisition date, the long-term equity investment is measured at the initial investment cost; where the initial investment cost is less than the Company's share of the fair value of the investee's identifiable net assets at the acquisition date, the difference is included in profit or loss and the cost of the long-term equity investment is adjusted upwards accordingly.



## 2 Summary of significant accounting policies and accounting estimates (continued)

### (10) Long-term equity investments (continued)

- (b) Subsequent measurement and recognition of related profit and loss (continued)

For long-term equity investments accounted for using the equity method, the Company recognises the investment income according to its share of net profit or loss of the investee. The Company discontinues recognising its share of net losses of an investee after the carrying amount of the long-term equity investment together with any long-term interests that, in substance, form part of the investor's net investment in the investee are reduced to zero. However, if the Company has obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, the Company continues recognising the investment losses and the provisions. For changes in owners' equity of the investee other than those arising from its net profit or loss, the Company records its proportionate share directly into capital surplus, provided that the Company's proportion of shareholding in the investee remains unchanged. The carrying amount of the investment is reduced by the Company's share of the profit distribution or cash dividends declared by an investee. The unrealised profits or losses arising from the intra-group transactions amongst the Company and its investees are eliminated in proportion to the Company's equity interest in the investees, and then based on which the investment gains or losses are recognised. For the loss on the intra-group transaction amongst the Company and its investees attributable to asset impairment, any unrealised loss is not eliminated.

- (c) Basis for determining existence of control over investees

Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. The following factors are usually considered when assessing whether the Company can exercise joint control over an investee:

- Whether no single investor is in a position to control the investee's operating activities unilaterally;
- Whether strategic decisions relating to the investee's main operating activities require the unanimous consent of all investors;
- If one investor is appointed, through contract or agreement by all investors, to manage the investee's daily activities, whether this investor must act within the financial and operating policies that have been agreed upon by all investors.

- (d) Impairment of long-term equity investments

The carrying amounts of long-term equity investments in joint ventures are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts (Note 2 (16)). For other long-term equity investments which are not quoted in an active market and whose fair values cannot be reliably measured, the excess of their carrying amounts over the present values of future cash flows discounted at the prevailing market yield rate for similar financial assets is recognised as impairment loss and cannot be reversed once recognised.

## 2 Summary of significant accounting policies and accounting estimates (continued)

### (11) Fixed assets

(a) Recognition and initial measurement of fixed assets

Fixed assets comprise buildings, machinery and equipment, motor vehicles, and other fixed assets.

Fixed assets are recognised when it is probable that the related economic benefits will flow to the Company and the costs can be reliably measured. Fixed assets purchased or constructed by the Company are initially measured at cost at the acquisition date. The fixed assets contributed by the State shareholders at the reorganisation of the Company into a corporation entity are recognised based on the revaluated amounts approved by the state-owned assets administration department.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Company and the related cost can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

(b) Depreciation methods of fixed assets

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated residual values expressed as a percentage of cost and the annual depreciation rates of fixed assets are as follows:

	Estimated useful lives	Estimated residual values	Annual depreciation rates
Buildings	20-50 years	3%	1.9%–4.9%
Machinery and equipment	5-30 years	3%	3.2%–19.4%
Motor vehicles and other fixed assets	4-18 years	3%	5.4%–24.3%

The estimated useful life, the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate at each year-end.





## 2 Summary of significant accounting policies and accounting estimates (continued)

### (11) Fixed assets (continued)

- (c) The carrying amount of a fixed asset is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 2 (16)).
- (d) Disposal of fixed assets  
A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

### (12) Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the fixed assets ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month. The carrying amount of construction in progress is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 2 (16)).

### (13) Borrowing costs

The borrowing costs that are directly attributable to the acquisition and construction of a fixed asset that needs a substantially long period of time for its intended use commence to be capitalised and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalisation of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use and the borrowing costs incurred thereafter are recognised in profit or loss for the current period. Capitalisation of borrowing costs is suspended during periods in which the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

For the specific borrowings obtained for the acquisition or construction of a fixed asset qualifying for capitalisation, the amount of borrowing costs eligible for capitalisation is determined by deducting any interest income earned from depositing the unused specific borrowings in the banks or any investment income arising on the temporary investment of those borrowings during the capitalisation period.

For the general borrowings obtained for the acquisition or construction of a fixed asset qualifying for capitalisation, the amount of borrowing costs eligible for capitalisation is determined by applying the weighted average effective interest rate of general borrowings, to the weighted average of the excess amount of cumulative expenditures on the asset over the amount of specific borrowings. The effective interest rate is the rate at which the estimated future cash flows during the period of expected duration of the borrowings or applicable shorter period are discounted to the initial amount of the borrowings.

## 2 Summary of significant accounting policies and accounting estimates (continued)

### (14) Intangible assets

Intangible assets include land use rights, patent rights and technology rights, and are measured at cost. The intangible assets contributed by the State shareholders at the reorganisation of the Company into a corporation are recognised based on the revaluated amounts as approved by the state-owned assets administration department.

- (a) Land use rights  
Land use rights are amortised on the straight-line basis over their approved use period of 44 to 50 years.
- (b) Patent rights  
Patent rights are amortised on a straight-line basis over the patent protection period of 10 years as stipulated by the laws.
- (c) Technology rights  
Technology rights are amortised on a straight-line basis over the useful life of 10 years as agreed in agreement.
- (d) Periodical review of useful life and amortisation method  
For an intangible asset with a finite useful life, review of its useful life and amortisation method is performed at each year-end, with adjustment made as appropriate.
- (e) Research and development  
The expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at end of the project.

Expenditure on the research phase is recognised in profit or loss in the period in which it is incurred. Expenditure on the development phase is capitalised only if all of the following conditions are satisfied:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- management intends to complete the intangible asset, and to use or sell it;
- it can be demonstrated how the intangible asset will generate economic benefits;
- there are adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development phase can be reliably measured.

## 2 Summary of significant accounting policies and accounting estimates (continued)

### (14) Intangible assets (continued)

#### (e) Research and development (continued)

Other development expenditures that do not meet the conditions above are recognised in profit or loss in the period in which they are incurred. Development costs previously recognised as expenses are not recognised as an asset in a subsequent period. Capitalised expenditure on the development phase is presented as development costs in the balance sheet and transferred to intangible assets at the date that the asset is ready for its intended use.

#### (f) Impairment of intangible assets

The carrying amount of intangible assets is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 2 (16)).

### (15) Long-term prepaid expenses

Long-term prepaid expenses are that have been incurred but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortisation.

### (16) Impairment of long-term assets

Fixed assets, construction in progress, intangible assets with finite useful lives, and long-term equity investments in joint ventures are tested for impairment if there is any indication that the assets may be impaired at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Once the above asset impairment loss is recognised, it will not be reversed for the value recovered in the subsequent periods.

## 2 Summary of significant accounting policies and accounting estimates (continued)

### (17) Employee benefits

Employee benefits mainly include wages or salaries, bonuses, allowances and subsidies, staff welfare, social security contributions, housing funds, labour union funds, employee education funds and other expenditures incurred in exchange for service rendered by employees.

Where the Company terminates the employment relationship with employees before the end of the employment contract or offers compensation for encouraging employees to accept voluntary redundancy, a provision for termination benefits for the compensation arising from termination of the employment relationship with employees is recognised, with a corresponding charge to profit or loss when the Company has made a formal plan for termination of the employment relationship or an offer for voluntary redundancy which will be implemented immediately and cannot be withdrawn by the Company unilaterally.

Except for the compensation to employees for termination of the employment relationship, the employee benefits are recognised in the accounting period in which the service has been rendered by the employees, and as costs of assets or expenses to whichever the employee service is attributable.

### (18) Dividend distribution

Cash dividend is recognised as a liability for the period in which the dividend is approved by the shareholders' meeting.

### (19) Revenue recognition

The amount of revenue is determined in accordance with the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of discounts and returns.

Revenue is recognised when the economic benefits associated with the transaction will flow to the Company, the related revenue can be reliably measured, and the specific revenue recognition criteria have been met for each type of the Company's activities as described below:

(a) Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods are transferred to the buyer, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and it is probable that the economic benefit associated with the transaction will flow to the Company and the relevant revenue and costs can be measured reliably.

(b) Rendering of services

The Company provides lifting and transportation service to external parties. The related revenue is recognised using the percentage of completion method, with the stage of completion being determined based on proportion of costs incurred to date to the estimated total costs.

## 2 **Summary of significant accounting policies and accounting estimates (continued)**

### **(19) Revenue recognition (continued)**

#### (c) Transfer of asset use rights

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

Income from an operating lease is recognised on a straight-line basis over the period of the lease.

### **(20) Government Grants**

Government grants are transfers of monetary assets or non-monetary assets from the government to the Company at no consideration, principally financial subsidies, except for any capital contribution from the government as an investor in 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 the conditions attached to it can be complied with and the government grant can be received. For a government grant in the form of transfer of monetary assets, it is measured at the amount received or receivable. For a government grant in the form of transfer of non-monetary assets, it is measured at fair value; if the fair value is not reliably determinable, the grant is measured at nominal amount.

A government grant related to an asset is recognised as deferred income, and evenly amortised to profit or loss over the useful life of the related asset. Government grants measured at nominal amounts are recognised immediately in profit or loss for the current period.

For government grants related to income, where the grant is a compensation for related expenses or losses to be incurred by the Company in the subsequent periods, the grant is recognised as deferred income, and included in profit or loss over the periods in which the related costs are recognised; where the grant is a compensation for related expenses or losses already incurred by the Company, the grant is recognised immediately in profit or loss for the current period.

### **(21) Deferred tax assets and deferred tax liabilities**

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

## 2 Summary of significant accounting policies and accounting estimates (continued)

### (21) *Deferred tax assets and deferred tax liabilities (continued)*

Deferred tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

Deferred tax assets and liabilities are offset when:

- the deferred taxes assets and liabilities are related to the income tax paid by the Company to the same taxation authority; and
- the Company has a legally enforceable right to offset current tax assets against current tax liabilities.

### (22) *Leases – operating leases*

An operating lease is a lease that has not transferred substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised on a straight-line basis over the period of the lease, and are either capitalised as part of the cost of related assets, or charged as an expense for the current period.

### (23) *Production safety fund*

The Company accrued production safety fund according to the national regulations for high-risk industry. The production safety fund accrued is charged to the cost of related products, and recorded in the specific reserve. As production safety fund is utilised, if it is of expenditure nature, the cost is directly charged against the specific reserves. If it is used for construction, the cost being used is recorded in construction in progress, 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 accumulated depreciation of the same amount is recognised, then the fixed asset is no longer depreciated in subsequent period.

### (24) *Segment information*

The Company identifies operating segments based on the internal organisation structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

An operating segment is a component of the Company that satisfies all of the following conditions: (1) the component is able to earn revenues and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Company's management to make decisions about resources to be allocated to the segment and to assess its performance; and (3) for which the information on financial position, operating results and cash flows is available to the Company.

## 2 **Summary of significant accounting policies and accounting estimates (continued)**

### **(24) Segment information (continued)**

Two or more operating segments may be aggregated into one single operating segment if the segments have similar economic characteristics and are same or similar in:

- the nature of each products or service;
- the nature of production processes;
- the type or class of customers for the products and services;
- methods used to distribute the products or provide the services; and
- the nature of the regulatory environment.

### **(25) 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 Company.

Related parties of the Company include, but are not limited to:

- (a) the Company's parent company;
- (b) enterprises that are controlled by the same parent company;
- (c) investors that exercise significant influence over the Company;
- (d) enterprises or individuals if a party has control or joint control over both the enterprises or individuals and the Company;
- (e) joint ventures of the Company, including subsidiaries of joint ventures;
- (f) principal individual investors of the Company and close family members of such individuals;
- (g) key management personnel of the Company and close family members of such individuals;
- (h) key management personnel of the Company's parent company;
- (i) close family members of key management personnel of the Company's parent company; and
- (j) other enterprises that are controlled or jointly controlled by principal individual investors, key management personnel of the Company, or close family members of such individuals.

## 2 Summary of significant accounting policies and accounting estimates (continued)

### (25) Related parties (continued)

In addition to the related parties stated above determined in accordance with the requirements of CAS, 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:

- (k) enterprises or persons that act in concert, that hold more than 5% of the Company's shares;
- (l) individuals who directly or indirectly hold more than 5% of the Company's shares and their close family members, supervisors of the listed company and their close family members;
- (m) enterprises that satisfy any of the aforesaid conditions in (a), (b) and (k) during the past 12 months or will satisfy them within the next 12 months pursuant to a relevant agreement;
- (n) individuals who satisfy any of the aforesaid conditions in (g), (h) and (l) during the past 12 months or will satisfy them within the next 12 months pursuant to a relevant agreement; and
- (o) enterprises, other than the Company and subsidiaries controlled by the Company, which are controlled directly or indirectly by an individual defined in (g), (h), (l) or (n), or in which such an individual assumes the position of a director or senior executive.

### (26) Critical accounting estimates and judgments

The Company continually evaluates the critical accounting estimates and key judgments applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are outlined below:

- (a) Impairment of receivables  
As described in Note 2(8), 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 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 objective evidence of a recovery in value of receivables which can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed.





## 2 Summary of significant accounting policies and accounting estimates (continued)

### (26) Critical accounting estimates and judgments (continued)

(b) Provision for diminution in value of inventories

As described in Note 2(9), the net realisable value of inventories is under management's regular review, and as a result, provision for diminution in value of inventories is recognised for the excess of inventories' carrying amounts over their net realisable value. When making estimates of net realisable value, the Company takes into consideration the use of inventories held on hand and other information available to form the underlying assumptions, including the inventories' market prices and the Company's historical operating costs. The actual selling price, the costs of completion and the costs necessary to make the sale and relevant taxes may vary based on the changes in market conditions and product saleability, manufacturing technology and the actual use of the inventories, resulting in the changes in provision for diminution in value of inventories. The net profit or loss may then be affected in the period when the provision for diminution in value of inventories is adjusted.

(c) Tax

There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgment is required from the Company in determining the provision for income taxes in each of these jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Besides, recognition of deferred tax assets in respect of temporary deductible differences and the tax losses largely depends on whether the Company is likely to obtain future taxable profit to offset deductible loss and tax deduction, while calculation of the future taxable profit need large amount of estimates and judgments in combination with tax planning strategies. Different estimates and judgments shall influence the amount of deferred tax.

In making the assessment of whether it is probable the Company will realise or utilise the deferred tax assets, management primarily relies on the generation of future taxable income to support the recognition of deferred tax assets. In order to fully utilise the deferred tax assets recognised at 30 June 2013, the Company would need to generate future taxable income of at least RMB1,666 million, of which RMB674 million is required to be generated by 2017 prior to the expiration of the unused tax losses incurred in 2012 and RMB636 million is required to be generated by 2018 prior to the expiration of the unused tax losses incurred in the six months period ended 30 June 2013. Based on estimated forecast and historical experience, management believes that it is probable that the Company will generate sufficient taxable income before the unused tax losses expire.

## 2 Summary of significant accounting policies and accounting estimates (continued)

### (26) Critical accounting estimates and judgments (continued)

(d) Impairment of long-term assets

As described in Note 2(16), long-term assets are reviewed at each balance sheet date to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is recognised.

The recoverable amount of an asset (or an asset group) is the greater of its fair value less costs to sell and its present value of expected future cash flows. Since a market price of the asset (or the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably. In assessing value in use, significant judgements are exercised over the asset'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 assumptions. If significant changes with an adverse effect that have taken place in relevant assumptions, the Company would need to recognise further impairment against long-term assets.

(e) Depreciation and amortisation of assets such as fixed assets, intangible assets and long-term prepaid expenses

As described in Note 2(11), (14) and (15), fixed assets, intangible assets and long-term prepaid expenses are depreciated and amortised over their useful lives after taking into account residual value. The estimated useful lives of the assets are regularly reviewed to determine the depreciation and amortisation costs charged in each reporting period. The useful lives of the assets are determined based on historical experiences of similar assets and the estimated technical changes, the amortisation periods for the long-term prepaid expenses are determined by the Company in accordance with the expected benefit period of each expense. If there have been significant changes in the factors used to determine the depreciation or amortisation, the rate of depreciation or amortisation is revised.



### 3 Taxation

The main categories and rates of taxes applicable to the Company are set out below:

Category	Tax base	Tax rate
Enterprise income tax	Taxable income	25%
Value added tax	Taxable value added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible VAT input of current period)	6%, 13% or 17%
Business tax	Taxable turnover amount	3% or 5%
City maintenance and construction tax	Amount of paid VAT and business tax	7%
Education fee surcharge	Amount of paid VAT and business tax	5%
Land use tax	Based on the actual area of land occupied	RMB4 per square meter

Pursuant to the Notice of Ministry of Finance and State Administration of Taxation on Pilot Proposals for the Change from Business Tax to Value-Added Tax (Cai Shui [2011] No.110) and the State Administration of Taxation on the Tax Policies for Implementing the Pilot Program of Levying Value-Added Tax in Lieu of Business Tax on the Transportation Industry and Some Modern Service Industries (Cai Shui [2012] No.71), starting from 1 October 2012, the Company's transportation service income is subject to Value Added Tax (VAT), with a tax rate of 6%.

### 4 Notes to the financial statements

#### (1) Cash at bank and on hand

	30 June 2013			31 December 2012		
	Amount in foreign currency	Exchange rate	Amount in RMB	Amount in foreign currency	Exchange rate	Amount in RMB
Cash on hand						
RMB	-	-	30	-	-	28
Bank deposits						
RMB	-	-	39,134	-	-	97,847
USD	50	6.1787	309	38	6.2855	239
			39,443			98,086
Deposits with related party:						
RMB	-	-	21,176	-	-	63,913
			60,649			162,027

The deposits with related party represent deposits with China CITIC Bank and Sinopec Finance Company Limited ("Sinopec Finance"). Interest is calculated based on market rate.

As at 30 June 2013, bank deposits include a deposit of RMB20,000 thousand (31 December 2012: Nil) pledged for issuing bank acceptance notes (Note 4(16)).

**4 Notes to the financial statements (continued)**  
**(2) Notes receivable**

	<b>30 June 2013</b>	31 December 2012
Bank acceptance notes	<b>2,294,794</b>	2,092,377

As at 30 June 2013 and 31 December 2012, notes receivable are neither pledged nor overdue.

As at 30 June 2013, the five largest notes receivable that are not mature but have been endorsed to other parties are as follows:

	<b>Issuance date</b>	<b>Maturity date</b>	<b>Amount</b>
Issuer 1	11 April 2013	10 July 2013	16,194
Issuer 2	3 May 2013	3 August 2013	12,726
Issuer 2	19 April 2013	19 July 2013	12,267
Issuer 3	14 March 2013	14 September 2013	10,000
Issuer 2	3 June 2013	3 September 2013	9,734
			<u>60,921</u>

**(3) Accounts receivable**

	<b>30 June 2013</b>	31 December 2012
Accounts receivable	<b>147,844</b>	142,501
Less: provision for bad debts	–	–
	<b>147,844</b>	142,501

(a) The ageing of accounts receivable is analysed as follows:

	<b>30 June 2013</b>	31 December 2012
Within 1 year	<b>147,844</b>	142,501



**4 Notes to the financial statements (continued)**

**(3) Accounts receivable (continued)**

(b) Accounts receivable are analysed by categories as follows:

	30 June 2013				31 December 2012			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	% of total				% of total			
	Amount	balance	Amount	Ratio	Amount	balance	Amount	Ratio
Accounts receivable that the related provision for bad debts is provided on the grouping basis	147,844	100%	-	-	142,501	100%	-	-

The Company performed the impairment test on accounts receivables in accordance with the accounting policy set out in Note 2(8). As at 30 June 2013 and 31 December 2012, there were no significant or insignificant accounts receivable that were individually determined to be impaired.

(c) Accounts receivable that the related provision for bad debts is provided on grouping basis using the ageing analysis method are analysed as follows:

	30 June 2013				31 December 2012			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Ratio				Ratio			
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Within 1 year	147,844	100%	-	-	142,501	100%	-	-

(d) During the reporting period, the Company did not have accounts receivable for which a full provision or a significant provision was made in the previous periods that were recovered or reversed partly or in full amount.

#### 4 Notes to the financial statements (continued)

##### (3) Accounts receivable (continued)

- (e) As at 30 June 2013, the five largest accounts receivable are analysed as follows:

	Relationship with the Company	Amount	Ageing	Percentage of total accounts receivable
Entity A	Third party	19,749	Within 1 year	13.36%
Entity B	Third party	13,044	Within 1 year	8.82%
Entity C	Third party	10,799	Within 1 year	7.30%
Entity D	Third party	8,549	Within 1 year	5.78%
Entity E	Third party	7,909	Within 1 year	5.35%
		<u>60,050</u>		<u>40.61%</u>

- (f) Balance due from related parties:

Relationship with the Company		30 June 2013			31 December 2012		
		Amount	Percentage of accounts receivable	Provision for bad debts	Amount	Percentage of accounts receivable	Provision for bad debts
CPC and its subsidiaries	Ultimate holding company	<u>7,711</u>	<u>5.21%</u>	-	10,793	7.56%	-

Except for those listed above, as at 30 June 2013 and 31 December 2012, there were no accounts receivable from shareholders holding more than 5% (including 5%) of the voting rights of the Company or from related parties.

- (g) Accounts receivable denominated in foreign currencies are as follows:

	30 June 2013			31 December 2012		
	Amount in foreign currency	Exchange rate	Amount in RMB	Amount in foreign currency	Exchange rate	Amount in RMB
USD	<u>14,369</u>	<u>6.1787</u>	<u>88,780</u>	13,745	6.2855	<u>86,401</u>



**4 Notes to the financial statements (continued)**  
**(4) Other receivables**

	<b>30 June 2013</b>	31 December 2012
Amounts due from related parties (Note 6(5))	<b>459</b>	–
Amounts due from third parties	<b>44,132</b>	18,969
	<b>44,591</b>	18,969
Less: Provision for bad debts	<b>(1,346)</b>	(1,361)
	<b>43,245</b>	17,608

(a) The ageing of other receivables is analysed as follows:

	<b>30 June 2013</b>	31 December 2012
Within 1 year	<b>43,245</b>	17,573
1 to 2 years	–	50
Over 3 years	<b>1,346</b>	1,346
	<b>44,591</b>	18,969
Less: Provision for bad debts	<b>(1,346)</b>	(1,361)
	<b>43,245</b>	17,608

(b) Other receivables are analysed by categories as follows:

	30 June 2013				31 December 2012			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
Other receivables that the related provision for bad debts is provided on the grouping basis	<b>44,591</b>	<b>100%</b>	<b>(1,346)</b>	<b>3%</b>	18,969	100%	(1,361)	7%

The Company performed the impairment test on other receivables in accordance with the accounting policy set out in Note 2(8). As at 30 June 2013 and 31 December 2012, there were no significant or insignificant other receivables that were individually determined to be impaired.

#### 4 Notes to the financial statements (continued)

##### (4) Other receivables (continued)

- (c) Other receivables that the related provision for bad debts is provided on grouping basis using the ageing analysis method are analysed as follows:

	30 June 2013				31 December 2012			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Within 1 year	43,245	97%	-	-	17,573	93%	-	-
1 to 2 years	-	-	-	-	50	-	(15)	30%
Over 5 years	1,346	3%	(1,346)	100%	1,346	7%	(1,346)	100%
	<b>44,591</b>	<b>100%</b>	<b>(1,346)</b>	<b>3%</b>	<b>18,969</b>	<b>100%</b>	<b>(1,361)</b>	<b>7%</b>

- (d) During the reporting period, the Company did not have other receivables for which a full provision or a significant provision was made in the previous periods that were recovered or reversed partly or in full amount.

- (e) Other receivables from related parties are analysed as follows:

	Relationship with the Company	30 June 2013			31 December 2012		
		Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Far Eastern Yihua Petrochemical (Yangzhou) Corporation ("FEYP")	Joint venture	459	1%	-	-	-	-

As at 30 June 2013 and 31 December 2012, other receivables did not include those due from shareholders holding 5% or more of the voting rights of the Company.

- (f) As at 30 June 2013, the five largest other receivables are analysed as follows:

	Relationship with the Company	Amount	Ageing	% of total balance
Entity A	Third party	34,028	Within 1 year	76.31%
Entity B	Third party	3,500	Within 1 year	7.85%
Entity C	Third party	2,279	Within 1 year	5.11%
Entity D	Third party	945	Over 3 years	2.12%
Entity E	Third party	575	Within 1 year	1.29%
		<b>41,327</b>		<b>92.68%</b>

- (g) As at 30 June 2013 and 31 December 2012, no balances denominated in foreign currencies were included in other receivables of the Company.





#### 4 Notes to the financial statements (continued)

##### (5) Advances to suppliers

(a) The ageing of advances to suppliers is analysed below:

	30 June 2013		31 December 2012	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	38,489	100%	38,106	100%

(b) As at 30 June 2013, the five largest advances to suppliers are analysed as follows:

	Relationship with the Company	Amount	% of total balance	Date of making advance	Reason for being unsettled
Sinopec Corp and its subsidiaries	Parent company	15,700	41%	Within 1 year	Advances for goods
Entity B	Third party	10,614	28%	Within 1 year	Advances for equipment
Entity C	Third party	3,000	8%	Within 1 year	Advances for freights
Entity D	Third party	2,990	8%	Within 1 year	Advances for goods
Entity E	Third party	2,400	6%	Within 1 year	Advances for projects
		34,704	91%		

(c) Advances to related parties are analysed as follows:

	30 June 2013			31 December 2012		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Sinopec Corp and its subsidiaries	15,700	41%	-	25,630	67%	-

Except for those listed above, as at 30 June 2013 and 31 December 2012, there were not advances paid to shareholders holding 5% or more of the voting rights of the Company.

(d) As at 30 June 2013 and 31 December 2012, no balances denominated in foreign currencies were included in advances to supplies of the Company.

#### 4 Notes to the financial statements (continued)

##### (6) Inventories

(a) Inventories are summarised by categories as follows:

	30 June 2013			31 December 2012		
	Ending balance	Provision for decline in the value of inventories	Carrying amount	Ending balance	Provision for decline in the value of inventories	Carrying amount
Raw materials	632,343	(11,392)	620,951	900,620	(11,392)	889,228
Work in progress	110,905	–	110,905	118,726	–	118,726
Finished goods	992,117	(9,593)	982,524	650,570	(9,593)	640,977
Spare parts and turnover materials	96,360	(17,850)	78,510	104,653	(17,850)	86,803
	<b>1,831,725</b>	<b>(38,835)</b>	<b>1,792,890</b>	<b>1,774,569</b>	<b>(38,835)</b>	<b>1,735,734</b>

As at 30 June 2013 and 31 December 2012, no capitalised borrowing costs were included in the balance of inventories, and the above inventories were not pledged.

(b) Provision for decline in the value of inventories is analysed as follows:

	Balance at the beginning of the period	Provision made for the period	Written back during the period	Balance at the end of the period
Raw materials	11,392	–	–	11,392
Finished goods	9,593	–	–	9,593
Spare parts and turnover materials	17,850	–	–	17,850
	<b>38,835</b>	<b>–</b>	<b>–</b>	<b>38,835</b>

##### (7) Other current assets

	30 June 2013	31 December 2012
Prepaid enterprise income tax	131,082	141,376
VAT to be offset	238,402	241,407
Others	7,397	7,354
	<b>376,881</b>	<b>390,137</b>



**4 Notes to the financial statements (continued)**  
**(8) Long-term equity investment**

	30 June 2013	31 December 2012
Joint venture	581,860	584,819
Less: provision for impairment of long-term equity investment	–	–
	<b>581,860</b>	<b>584,819</b>

There is no restriction on sale of the long-term equity investments held by the Company.

	Accounting method	Investment cost	31 December 2012	Share of net profit/ (loss) using the equity method	30 June 2013	Share holding (%)	Voting rights (%)
FEYP	Equity method	581,340	584,819	(2,959)	<b>581,860</b>	40%	40%

	Share holding (%)	Voting rights (%)	30 June 2013			For the six months period ended 30 June 2013	
			Total assets	Total liabilities	Net assets	Revenue	Net loss
FEYP	40%	40%	1,496,381	41,732	1,454,649	–	(7,397)

The Company and the other investor of FEYP agreed that the financial and operating decisions of FEYP need to be agreed by both parties, therefore, FEYP is accounted for as a joint venture.

**4 Notes to the financial statements (continued)**  
**(9) Fixed assets**

	31 December 2012	Increase in the period	Decrease in the period	30 June 2013
Cost	13,382,195	73,553	(62,107)	<b>13,393,641</b>
Buildings	1,916,360	200	(301)	<b>1,916,259</b>
Machinery and equipment	10,464,144	70,649	(61,510)	<b>10,473,283</b>
Motor vehicles and other fixed assets	1,001,691	2,704	(296)	<b>1,004,099</b>
Accumulated depreciation	(9,235,940)	(213,557)	58,040	<b>(9,391,457)</b>
Buildings	(919,624)	(32,102)	186	<b>(951,540)</b>
Machinery and equipment	(7,617,996)	(163,580)	57,580	<b>(7,723,996)</b>
Motor vehicles and other fixed assets	(698,320)	(17,875)	274	<b>(715,921)</b>
Net book value	4,146,255	-	-	<b>4,002,184</b>
Buildings	996,736	-	-	<b>964,719</b>
Machinery and equipment	2,846,148	-	-	<b>2,749,287</b>
Motor vehicles and other fixed assets	303,371	-	-	<b>288,178</b>
Provision for impairment	(650,705)	-	1,811	<b>(648,894)</b>
Buildings	(8,286)	-	-	<b>(8,286)</b>
Machinery and equipment	(587,513)	-	1,796	<b>(585,717)</b>
Motor vehicles and other fixed assets	(54,906)	-	15	<b>(54,891)</b>
Carrying amount	3,495,550	-	-	<b>3,353,290</b>
Buildings	988,450	-	-	<b>956,433</b>
Machinery and equipment	2,258,635	-	-	<b>2,163,570</b>
Motor vehicles and other fixed assets	248,465	-	-	<b>233,287</b>



#### 4 Notes to the financial statements (continued)

##### (9) Fixed assets (continued)

As at 30 June 2013 and 31 December 2012, no fixed assets of the Company were pledged.

For the six months period ended 30 June 2013, depreciation charged to fixed assets amounts to RMB213,557 thousand (six months period ended 30 June 2012: RMB206,607 thousand), of which RMB201,215 thousand (six months period ended 30 June 2012: RMB194,146 thousand) has been charged in costs of goods sold, RMB22 thousand (six months period ended 30 June 2012: 16 thousand) in selling expenses, and RMB12,320 thousand (six months period ended 30 June 2012: 12,445 thousand) in general and administrative expenses.

The costs of fixed assets transferred from construction in progress amounted to RMB73,553 thousand (six months period ended 30 June 2012: RMB14,104 thousand).

As at 30 June 2013, the buildings and the machinery and equipment with a carrying amount of RMB1,781 thousand and a cost of RMB56,985 thousand are temporarily idle for the reason of production arrangement (31 December 2012: a carrying amount of RMB1,793 and a cost of RMB57,208), which are analysed as follows:

	Cost	Accumulated depreciation	Provision for impairment	Carrying amount
Buildings	382	(250)	(120)	12
Machinery and equipment	53,465	(29,586)	(22,205)	1,674
Motor vehicles and other fixed assets	3,138	(2,008)	(1,035)	95
	56,985	(31,844)	(23,360)	1,781

##### (10) Construction in progress

	30 June 2013			31 December 2012		
	Ending balance	Provision for impairment	Carrying amount	Ending balance	Provision for impairment	Carrying amount
100 thousand tonne/year 1,4-butanediol project	1,337,468	-	1,337,468	1,429,935	-	1,429,935
400 thousand tonne/year polyester polymerization project	160,930	-	160,930	117,047	-	117,047
100 thousand tonne/year differential staple fibre project (unit 9)	181,190	-	181,190	140,247	-	140,247
NCIC-YCFC hydrogen gas pipeline project	68,477	-	68,477	62,996	-	62,996
Improvements of existing plants and equipment	64,779	-	64,779	120,656	-	120,656
	1,812,864	-	1,812,864	1,870,881	-	1,870,881

#### 4 Notes to the financial statements (continued)

##### (10) Construction in progress (continued)

(a) Movement of significant projects of construction in progress

Name	Budgeted amount	31	Increase in the period	Transfer to fixed assets	Transfer to long-term prepaid expenses	30 June	Proportion of expenditures incurred to budgeted amount	Progress of construction	Source of funds
		December 2012				2013			
100 thousand tonne/year 1,4-butanediol project	1,670,082	1,429,935	59,900	-	(152,347)	<b>1,337,488</b>	89%	89%	Own fund
400 thousand tonne/year polyester polymerization project	365,607	117,047	43,883	-	-	<b>160,930</b>	91%	91%	Own fund
100 thousand tonne/year differential staple fibre project (unit 9)	218,377	140,247	40,943	-	-	<b>181,190</b>	83%	83%	Own fund
NCIC-YCFC hydrogen gas pipeline project	158,000	62,996	5,481	-	-	<b>68,477</b>	43%	43%	Own fund
Improvements of existing plants and equipment	266,614	120,656	17,676	(73,553)	-	<b>64,779</b>	52%	52%	Own fund
		<u>1,870,881</u>	<u>167,883</u>	<u>(73,553)</u>	<u>(152,347)</u>	<b><u>1,812,864</u></b>			

(b) As at 30 June 2013, the progress of significant projects of construction in progress is analysed as follows:

Project name	Progress	Remark
100 thousand tonne/year 1,4-butanediol project	89%	Construction has been substantially completed; equipment is under test
400 thousand tonne/year polyester polymerization project	91%	Construction has been substantially completed; equipment is under test
100 thousand tonne/year differential staple fibre project (unit 9)	83%	Construction has been substantially completed; equipment is under test
NCIC-YCFC hydrogen pipeline engineering project	43%	Pipeline in Yizheng section has been completed, Nanjing section is under construction



#### 4 Notes to the financial statements (continued)

##### (11) Intangible assets

	31 December 2012	Increase in the period	Decrease in the period	30 June 2013
Cost	767,451	-	-	767,451
Land use rights	406,123	-	-	406,123
Patents	208,893	-	-	208,893
Technology rights	152,435	-	-	152,435
Accumulated amortisation	(471,026)	(15,252)	-	(486,278)
Land use rights	(134,380)	(4,240)	-	(138,620)
Patents	(196,271)	(10,445)	-	(206,716)
Technology rights	(140,375)	(567)	-	(140,942)
Carrying amount	296,425	-	-	281,173
Land use rights	271,743	-	-	267,503
Patents	12,622	-	-	2,177
Technology rights	12,060	-	-	11,493

For the six months period ended 30 June 2013, amortisation of intangible assets amounted to RMB15,252 thousand (six months period ended 30 June 2012: 15,167 thousand), were included in profit and loss.

As at 30 June 2013 and 31 December 2012, the above intangible assets were not pledged.

##### (12) Long-term prepaid expenses

	31 December 2012	Increase in the period	Amortisation in the period	Other decreases	30 June 2013
Long-acting catalysts	-	152,347	(16,844)	-	135,503

As at 30 June 2013, the long-term prepaid expenses represent the long-acting catalysts for production equipment and are amortized according to useful life specified in its technical specification.

**4 Notes to the financial statements (continued)**  
**(13) Deferred tax assets**

	30 June 2013		31 December 2012	
	Deferred tax assets	Deductible temporary differences and tax loss	Deferred tax assets	Deductible temporary differences and tax loss
Deductible losses	327,498	1,309,993	211,779	847,115
Provision for assets impairment and influence on depreciation	67,355	269,420	78,092	312,369
Accrued expenses	16,485	65,938	17,336	69,343
Deferred income	4,812	19,248	4,812	19,248
Production safety fund	299	1,195	20	80
	<b>416,449</b>	<b>1,665,794</b>	312,039	1,248,155

**(14) Provision for asset impairment**

	31 December 2012	Increase in the period	Decrease in the period		30 June 2013
			Reversal	Write-off	
Provision for bad debts of other receivables	1,361	-	(15)	-	1,346
Provision for decline in value of inventories	38,835	-	-	-	38,835
Provision for impairment of fixed assets	650,705	-	-	(1,811)	648,894
	690,901	-	(15)	(1,811)	689,075





#### 4 Notes to the financial statements (continued)

##### (15) Short-term borrowings

	Currency	30 June 2013	31 December 2012
Unsecured borrowings from related parties (Note 6(5))	RMB	500,000	300,000
Unsecured borrowings from third parties	RMB	620,000	105,000
	USD	46,340	–
		<b>1,166,340</b>	405,000

As at 30 June 2013, the weighted average interest rate of short-term borrowings is 4.98% annually (31 December 2012: 5.25 %).

As at 30 June 2013, the Company had no overdue short-term borrowings.

As at 30 June 2013, the unused facility of short-term borrowings is RMB333,660 thousand (31 December 2012: 750,000 thousand).

##### (16) Notes payable

	30 June 2013	31 December 2012
Bank acceptance notes	200,000	–

As at 30 June 2013, a bank deposit of RMB20,000 thousand was pledged as collateral for the notes payable (Note 4(1)), which are maturing within one year (31 December 2012: Nil).

#### 4 Notes to the financial statements (continued)

##### (17) Accounts payable

	30 June 2013	31 December 2012
Accounts payable to related parties (Note 6(5))	1,020,912	1,204,769
Accounts payable to third parties	244,301	330,476
	<b>1,265,213</b>	<b>1,535,245</b>

(a) Accounts payable to related parties

	30 June 2013	31 December 2012
Sinopec Corp and its subsidiaries	1,014,918	1,177,670
CPC and its subsidiaries	5,994	27,099
	<b>1,020,912</b>	<b>1,204,769</b>

Except for those listed above, as at 30 June 2013 and 31 December 2012, no accounts payable to shareholders holding more than 5% (including 5%) of the voting rights of the Company or to related parties were included in the balance.

(b) As at 30 June 2013, no accounts payable over 1 year with significant amount are included in the balance.

(c) Accounts payable denominated in foreign currencies are as follows:

	30 June 2013			31 December 2012		
	Amount in foreign currency	Exchange rate	Amount in RMB	Amount in foreign currency	Exchange rate	Amount in RMB
RMB	-	-	520,692	-	-	722,742
USD	120,498	6.1787	744,521	129,256	6.2855	812,503
			<b>1,265,213</b>			<b>1,535,245</b>



#### 4 Notes to the financial statements (continued)

##### (18) Advances from customers

	30 June 2013	31 December 2012
Advances from related parties (Note 6(5))	24,717	4,113
Advances from third parties	189,485	306,909
	<b>214,202</b>	<b>311,022</b>

- (a) As at 30 June 2013 and 31 December 2012, no advances from shareholders holding more than 5% (including 5%) of the voting rights of the Company or from related parties are included in the balance.
- (b) As at 30 June 2013, no advances over 1 year with significant amount are included in the balance.
- (c) As at 30 June 2013 and 31 December 2012, no balance denominated in foreign currency is included in the advances from customers of the Company.

##### (19) Employee benefits payable

	31 December 2012	Increase in the period	Decrease in the period	30 June 2013
Wages and salaries, bonuses, allowances and subsidies	57,912	277,297	(277,297)	57,912
Employee welfare	-	52,177	(52,177)	-
Social security contributions	327	109,516	(109,515)	328
Including: Medical				
insurance	-	23,765	(23,765)	-
Basic pension	-	55,221	(55,218)	3
Unemployment insurance	-	5,522	(5,522)	-
Work injury insurance	327	2,178	(2,180)	325
Supplementary medical insurance	-	8,033	(8,033)	-
Supplementary pension	-	14,797	(14,797)	-
Housing funds	-	35,229	(35,229)	-
Labor union funds and employees' education funds	1,838	6,205	(7,039)	1,004
Others	192	26,266	(26,350)	108
	<b>60,269</b>	<b>506,690</b>	<b>(507,607)</b>	<b>59,352</b>

#### 4 Notes to the financial statements (continued)

##### (19) Employee benefits payable (continued)

As at 30 June 2013, no defaulted payables are included in the employee benefits payable.

The in-service employees of the Company are subject to basic pension and medical insurance, which are extracted and paid according to regulated rates and set up and governed by local government. In addition, the Company provides a supplementary defined contribution retirement plan for its employees at rates not exceeding 5% of their salaries. Employees who have served the Company for more than one year may participate in this plan. The assets of this plan are held separately from those of the Company in an independent fund administered by a committee consisting of representatives from the employees and the Company. A member of the above plans is entitled to a pension amount equal to a fixed proportion of the salary prevailing at his or her retirement date. The Company has no other material obligation for the payment of pension benefits associated with the basic and supplementary pension plans beyond the annual contributions described above.

##### (20) Taxes payable

	30 June 2013	31 December 2012
Individual income tax payable	1,675	5,517
Property tax payable	53	3,285
Business tax payable	34	13
Land use tax payable	–	4,266
	<b>1,762</b>	<b>13,081</b>

##### (21) Interest payable

	30 June 2013	31 December 2012
Interest payable to related parties (Note 6(5))	716	163
Interest payable to third parties	825	230
	<b>1,541</b>	<b>393</b>

##### (22) Other payables

	30 June 2013	31 December 2012
Payables for construction and equipment	289,597	189,539
Others	59,433	55,069
	<b>349,030</b>	<b>244,608</b>



#### 4 Notes to the financial statements (continued)

##### (22) Other payables (continued)

- (a) Other payables to related parties

	30 June 2013	31 December 2012
Sinopec Corp and its subsidiaries	1,436	1,427
CPC and its subsidiaries	50,215	3,001
	<b>51,651</b>	<b>4,428</b>

Except for those listed above, as at 30 June 2013 and 31 December 2012, there were no payables to shareholders holding more than 5% (including 5%) of the voting rights of the Company or to related parties in the balance.

- (b) As at 30 June 2013, other payables over 1 year with a carrying amount of RMB54,537 thousand (31 December 2012: RMB21,931 thousand) are mainly payables for construction projects within guarantee period, which are unsettled.
- (c) As at 30 June 2013 and 31 December 2012, no balance denominated in foreign currency is included in other payables of the Company.

##### (23) Deferred income

	30 June 2013	31 December 2012
Government grants related to assets	16,382	17,026
Government grants related to income	3,101	2,222
	<b>19,483</b>	<b>19,248</b>

According to Guo Ke Fa Cai [2012] No.48, the Company receives a fund of RMB879 thousand for the subject "Technologic Development for Manufacturing Industry of New-type Super Cotton-like PET Polyester Fiber", from Ministry of Science and Technology. As related expenses are not incurred yet, the income is not recognised into the profit and loss of the reporting period.

#### 4 Notes to the financial statements (continued)

##### (23) *Deferred income (continued)*

For the six months period ended 30 June 2013, amortisation of the government grants related to assets of the Company amounts to RMB644 thousand and was recorded in non-operating income.

##### (24) *Share capital*

	30 June 2013	31 December 2012
Held by state-owned legal person (A share)	2,400,000	2,400,000
RMB public shares (A share)	200,000	200,000
Foreign shares listed overseas (H share)	1,400,000	1,400,000
	<b>4,000,000</b>	<b>4,000,000</b>

The aforesaid issued share capital has been verified by KPMG CPAs Co., Ltd. with capital verification reports issued on 1 April 1994, 20 July 1994, 28 March 1995 and 15 May 1995, respectively.

##### (25) *Capital surplus*

	31 December 2012	Increase in the period	Decrease in the period	30 June 2013
Share premium	3,078,825	-	-	3,078,825
Other capital surplus —	67,969	-	-	67,969
Including: government contribution for projects	39,630	-	-	39,630
	3,146,794	-	-	3,146,794

	31 December 2011	Increase in current year	Decrease in current year	31 December 2012
Share premium	3,078,825	-	-	3,078,825
Other capital surplus —	67,969	-	-	67,969
Including: government contribution for projects	39,630	-	-	39,630
	3,146,794	-	-	3,146,794



#### 4 Notes to the financial statements (continued)

##### (26) Specific reserve

	31 December 2012	Increase in the period	Decrease in the period	30 June 2013
Specific reserve — production safety fund	80	1,199	(84)	1,195

In accordance with PRC regulations, the Company appropriated production safety fund of RMB1,199 thousand to specific reserve for the six months period ended 30 June 2013 (six months period ended 30 June 2012: RMB920 thousand), which was recognised in the cost of related products and the Specific reserve. For the six months period ended 30 June 2013, the Company utilised production safety fund amounting to RMB84 thousand (for the six months period ended 30 June 2012: RMB840 thousand) which was of expenditure nature.

##### (27) Surplus reserve

	31 December 2012	Increase in the period	Decrease in the period	30 June 2013
Statutory surplus reserve	200,383	-	-	200,383

	31 December 2011	Increase in the period	Decrease in the period	31 December 2012
Statutory surplus reserve	200,383	-	-	200,383

In accordance with the Company Law and the Company's Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the paid in capital after approval from the appropriate authorities.

**4 Notes to the financial statements (continued)**  
**(28) Undistributed profits**

	For the six months period ended 30 June			
	2013		2012	
	Amount	Appropriation/ distribution ratio	Amount	Appropriation/ distribution ratio
Undistributed profits at the beginning of the period	1,202,081	N/A	1,683,448	N/A
Less: net loss of the period	(491,445)	N/A	(216,570)	N/A
Less: ordinary share dividends payable	-	N/A	(120,000)	N/A
Undistributed profits at the end of the period	<u>710,636</u>		<u>1,346,878</u>	

**(29) Revenue and cost of sales**

	For the six months period ended 30 June	
	2013	2012
Revenue from main operations	8,525,538	8,048,332
Revenue from other operations	192,453	280,263
	<u>8,717,991</u>	<u>8,328,595</u>

	For the six months period ended 30 June	
	2013	2012
Cost of sales from main operations	8,646,309	7,850,506
Cost of sales from other operations	166,166	280,218
	<u>8,812,475</u>	<u>8,130,724</u>



**4 Notes to the financial statements (continued)**  
**(29) Revenue and cost of sales (continued)**

(a) Revenue and cost of sales from main operations

The Company is engaged in chemical fibre. Analysis by products is as follows:

	For the six months period ended 30 June			
	2013		2012	
	Revenue from main operations	Cost of sales from main operations	Revenue from main operations	Cost of sales from main operations
PET chip	3,066,941	3,114,987	2,698,513	2,648,032
Bottle-grade polyester chips	1,874,412	1,842,931	1,895,739	1,783,127
Staple fibre and hollow fibre	3,038,086	3,037,559	2,828,044	2,703,013
Filament	390,597	466,502	590,248	668,044
Others	155,502	184,330	35,788	48,290
	<b>8,525,538</b>	<b>8,646,309</b>	8,048,332	7,850,506

Analysis by locations is as follows:

	For the six months period ended 30 June			
	2013		2012	
	Revenue from main operations	Cost of sales from main operations	Revenue from main operations	Cost of sales from main operations
China mainland	8,206,708	8,333,570	7,685,943	7,498,523
Hong Kong, Macao, Taiwan and overseas	318,830	312,739	362,389	351,983
	<b>8,525,538</b>	<b>8,646,309</b>	8,048,332	7,850,506

**4 Notes to the financial statements (continued)**  
**(29) Revenue and cost of sales (continued)**

(b) Revenue and cost of sales from other operations

	For the six months period ended 30 June			
	2013		2012	
	Revenue from other operations	Cost of sales from other operations	Revenue from other operations	Cost of sales from other operations
Utilities	152,932	124,058	149,751	149,284
Others	39,521	42,108	130,512	130,934
	<b>192,453</b>	<b>166,166</b>	280,263	280,218

(c) Revenue from the five largest customers of the Company

For the six months period ended 30 June 2013, revenue from the five largest customers of the Company with an amount of RMB1,166,822 thousand (six months period ended 30 June 2012: RMB1,137,827 thousand) accounts for 13.38% (For the six months period ended 30 June 2012: 13.66%) of the total revenue of the Company, as analysed below:

	Revenue	% of total revenue
Company 1	357,555	4.10%
Company 2	251,272	2.88%
Company 3	196,102	2.25%
Company 4	189,009	2.17%
Company 5	172,884	1.98%
	<b>1,166,822</b>	<b>13.38%</b>

**(30) Tax and surcharges**

	For the six months period ended 30 June	
	2013	2012
Business tax	24	336
City maintenance and construction tax	3	28
Educational surcharge	2	20
	<b>29</b>	<b>384</b>



**4 Notes to the financial statements (continued)**  
**(31) Selling and distribution expenses**

	For the six months period ended 30 June	
	2013	2012
Freight	76,571	79,478
Commission fee	21,520	21,776
Other selling and distribution expenses	11,430	9,131
	<b>109,521</b>	<b>110,385</b>

**(32) General and administrative expenses**

	For the six months period ended 30 June	
	2013	2012
Repair and maintenance fee	136,844	152,100
Salary	132,472	156,571
Community service fee	20,256	20,280
Taxes	18,430	19,495
Technology development fee	14,244	21,029
Depreciation and amortization	13,720	13,822
Other general and administrative expenses	38,337	35,773
	<b>374,303</b>	<b>419,070</b>

**(33) Financial income – net**

	For the six months period ended 30 June	
	2013	2012
Interest expenses	23,351	–
Interest revenue	(21,714)	(19,255)
Net exchange gains or losses	(4,134)	(4,025)
Others	554	406
	<b>(1,943)</b>	<b>(22,874)</b>

**(34) Assets impairment losses**

	For the six months period ended 30 June	
	2013	2012
Impairment loss on other receivables	(15)	1,652

**4 Notes to the financial statements (continued)**  
**(35) Investment income**

	For the six months period ended 30 June	
	2013	2012
Income from disposal of available-for-sale financial assets	–	4,740
(Loss)/income from long-term equity investment under equity method (a)	<b>(2,959)</b>	2,504
Income from disposal of held-to-maturity investments	–	2,011
	<b>(2,959)</b>	9,255

- (a) Investment income from long-term equity investment under equity method Investment (loss)/profit from investees that contributable to more than 5% of the Company's total income, or the top four investees that contributed most to the Company are as follows:

	For the six months period ended 30 June		Reason for current period movement
	2013	2012	
FEYP	<b>(2,959)</b>	2,504	FEYP is under construction in 2013 and currently in loss position

**(36) Non-operating income**

	For the six months period ended 30 June		Amount recognised in non-recurring profit or loss in the period
	2013	2012	
Gains on disposal of fixed assets	<b>441</b>	809	441
Government grants	<b>683</b>	644	683
Others	<b>181</b>	663	181
	<b>1,305</b>	2,116	1,305



**4 Notes to the financial statements (continued)**  
**(37) Non-operating expenses**

	For the six months period ended 30 June		Amount recognised in non-recurring profit or loss in the period
	2013	2012	
Loss on disposal of fixed assets	3,360	4,146	3,360
Others	14,168	5,256	14,168
	<b>17,528</b>	9,402	17,528

**(38) Income tax expenses**

	For the six months period ended 30 June	
	2013	2012
Current income tax calculated based on tax law and related regulations	294	11,332
Deferred income tax	(104,410)	(103,539)
	<b>(104,116)</b>	(92,207)

The reconciliation from income tax calculated based on the applicable tax rates and total loss presented in the financial statements to the income tax expenses is as follows:

	For the six months period ended 30 June	
	2013	2012
Total loss	(595,561)	(308,777)
Income tax expenses calculated at applicable tax rates	(148,890)	(77,194)
Recognition of deferred tax assets arising from previously unrecognized deductible temporary differences	–	(27,567)
Charge against previously recognized deferred tax assets	43,995	–
Non-deductible expenses	485	1,222
Payment of income tax expenses related to previous periods	294	11,332
Income tax expenses of the period	<b>(104,116)</b>	(92,207)

#### 4 Notes to the financial statements (continued)

##### (39) Loss per share

- (a) Basic loss per share

Basic loss per share is calculated by dividing net loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding:

	For the six months period ended 30 June	
	2013	2012
Net loss attributable to ordinary shareholders of the Company	491,445	216,570
Weighted average number of ordinary shares outstanding	4,000,000 shares	4,000,000 shares
Basic loss per share	0.123	0.054

- (b) Diluted loss per share

Diluted loss per share is calculated by dividing net loss attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of ordinary shares outstanding. As there were no dilutive potential ordinary shares for the six months period ended 30 June 2013, diluted loss per share is equal to basic loss per share.

##### (40) Notes to the cash flow statement

- (a) Cash paid relating to other operating activities

	For the six months period ended 30 June	
	2013	2012
Freight	76,656	79,478
Payment of insurance premium	25,040	16,719
Commission fee	21,520	21,776
Community service fee	20,256	20,280
Technology development fee	14,244	21,029
Others	48,041	89,496
	205,757	248,778

- (b) Cash received relating to other operating activities

	For the six months period ended 30 June	
	2013	2012
Interest of bank deposits	1,931	19,255
Others	46	-
	1,977	19,255



**4 Notes to the financial statements (continued)**  
**(41) Supplementary information to the cash flow statement**

(a) Reconciliation from net loss to cash flows from operating activities

	For the six months period ended 30 June	
	2013	2012
Net loss	<b>(491,445)</b>	(216,570)
Add: Provision for assets impairment	<b>(15)</b>	1,652
Depreciation of fixed assets (Note 4(9))	<b>213,557</b>	206,607
Amortisation of intangible assets (Note 4(11))	<b>15,252</b>	15,167
Amortisation of long-term prepaid expenses (Note 4(12))	<b>16,844</b>	–
Amortisation of deferred income	<b>(644)</b>	(644)
Loss on disposal of fixed assets	<b>2,919</b>	3,337
Net financial loss/(income)	<b>20,094</b>	(19,255)
Investment loss/(income)	<b>2,959</b>	(9,255)
Increase in deferred tax assets	<b>(104,410)</b>	(103,539)
Increase in inventories	<b>(57,156)</b>	(102,425)
Increase in specific reserve	<b>1,115</b>	520
(Increase)/decrease in operating receivables	<b>(298,939)</b>	535,272
Decrease in operating payables	<b>(45,298)</b>	(814,144)
Net cash flows from operating activities	<b>(725,167)</b>	(503,277)

(b) Net decrease in cash and cash equivalents

	For the six months period ended 30 June	
	2013	2012
Cash at the end of the period	<b>40,649</b>	753,431
Less: cash at the beginning of the period	<b>(162,027)</b>	(1,541,821)
Net decrease in cash	<b>(121,378)</b>	(788,390)

**4 Notes to the financial statements (continued)**  
**(41) Supplementary information to the cash flow statement (continued)**

(c) Cash

	30 June 2013	31 December 2012
Cash on hand	30	28
Deposits that can be readily drawn on demand	40,619	161,999
Cash at the end of the period	40,649	162,027

**5 Segment information**

The Company has identified five reportable segments 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 Company's executive management reviews reportable segments' financial information periodically for the purposes of allocating resources and assessing the performance.

Inter-segment transfers are measured by reference to market price. The assets are allocated based on the operations of the segment and the physical location of the asset.

The resources related to interest income, interest expenses, long-term equity investment and investment income/(loss) on joint venture, income tax expenses as well as shared assets of all segments are centrally managed and accounted for by the Company, and thus are not allocated among segments.



## 5 Segment information (continued)

(a) Segment information as at and for the six months period ended 30 June 2013 is as follows:

	For the six months period ended 30 June 2013								Total
	Polyester chips	Bottle-grade polyester chips	Staple fibre and hollow fibre	Filament	PTA	Others	Elimination	Unallocated	
Revenue from external customers	3,066,941	1,874,412	3,038,086	390,597	32	347,923	-	-	8,717,991
Inter-segment revenue	-	-	-	-	3,324,413	-	(3,324,413)	-	-
Subtotal of reportable segments revenue	3,066,941	1,874,412	3,038,086	390,597	3,324,445	347,923	(3,324,413)	-	8,717,991
Reportable segments profit/(loss)	(94,944)	18,207	(30,355)	(83,331)	4,565	(45,499)	-	-	(231,357)
Interest income	-	-	-	-	-	-	-	21,714	21,714
Interest expenses	-	-	-	-	-	-	-	23,351	23,351
Share of loss of a joint venture	-	-	-	-	-	-	-	(2,959)	(2,959)
Depreciation and amortisation	35,927	5,939	26,973	1,654	83,696	79,862	-	-	245,653
Income tax expenses	-	-	-	-	-	-	-	(104,116)	(104,116)
Long-term equity investments in a joint venture	-	-	-	-	-	-	-	581,860	581,860
Reportable segments assets	785,969	240,823	876,652	236,523	889,646	1,430,774	-	699,461	5,159,848

(b) Segment information as at and for the six months period ended 30 June 2012 is as follows:

	For the six months period ended 30 June 2012								Total
	Polyester chips	Bottle-grade polyester chips	Staple fibre and hollow fibre	Filament	PTA	Others	Elimination	Unallocated	
Revenue from external customers	2,698,513	1,895,739	2,828,044	590,248	95,147	220,904	-	-	8,328,596
Inter-segment revenue	-	-	-	-	3,895,445	-	(3,895,445)	-	-
Subtotal of reportable segments revenue	2,698,513	1,895,739	2,828,044	590,248	3,990,592	220,904	(3,895,445)	-	8,328,596
Reportable segments profit/(loss)	(32,026)	65,474	71,671	(93,517)	50,579	(10,652)	-	(5,622)	45,907
Interest income	-	-	-	-	-	-	-	19,255	19,255
Interest expenses	-	-	-	-	-	-	-	-	-
Share of profit of a joint venture	-	-	-	-	-	-	-	2,504	2,504
Depreciation and amortisation	32,598	9,387	19,096	5,016	81,443	58,783	-	15,451	221,774
Income tax expenses	-	-	-	-	-	-	-	(92,207)	(92,207)
Long-term equity investments in a joint venture	-	-	-	-	-	-	-	584,819	584,819
Reportable segments assets	669,145	191,704	558,187	200,854	1,042,706	1,138,991	-	1,261,108	5,062,695

The Company'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 Company.

## 6 Related parties and related party transactions

### (1) Information of the parent company

(a) General information of the parent company

Type	Place of registration	Legal representative	Nature of business	Code of organisation	
Sinopec Corp.	Joint stock limited company	No. 22 Chao Yang Men Bei Da Jie, Chao Yang Qu, Beijing	Fu Cheng Yu	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	71092609-4

The Company's ultimate controlling party is CPC.

(b) Registered capital and changes in registered capital of the parent company

	31 December 2012	Increase in the period	Decrease in the period	30 June 2013
Sinopec Corp.	86.8 billion	29.8 billion	-	116.6 billion

(c) The percentages of share holding and voting rights in the Company held by the parent company

	30 June 2013		31 December 2012	
	Share holding (%)	Voting rights (%)	Share holding (%)	Voting rights (%)
Sinopec Corp.	42%	42%	42%	42%

### (2) Information of joint ventures

Type	Place of registration	Legal representative	Nature of business	Registered capital	Share holding (%)	Voting rights (%)	Code of organisation	
FEYP	Limited liability company	Yangzhou, Jiangsu Province	Wu Gao-shan	Manufacturing and distributing of Crude terephthalic acid (CTA) and Pure terephthalic acid (PTA)	USD 230 million	40%	40%	58665581-2



**6 Related parties and related party transactions (continued)**  
**(3) Information of other related parties**

	Relationship with the Company	Code of organisation
CITIC	Shareholder holding more than 5% of the voting rights of the Company	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 CITIC	10169072-5

**(4) Related party transactions**

(a) Sale and purchase of goods, and rendering and receiving of services

Nature of the transaction	Type of the transaction	Name	Pricing policy and procedure for decision-making	For the six months period ended 30 June			
				2013	2012		
				% of the total amount of similar transactions	% of the total amount of similar transactions		
Purchase of raw materials	Purchase of goods	Sinopec Corp and its subsidiaries	Based on normal commercial terms or relevant agreements	5,660,824	66.99%	4,888,388	60.5%
Purchase of raw materials	Purchase of goods	CPC and its subsidiaries	Based on normal commercial terms or relevant agreements	6,634	0.08%	2,818	0.03%
Commission fee	Receiving services	Sinopec Corp and its subsidiaries	Based on normal commercial terms or relevant agreements	10,885	100.00%	36,886	100.00%
Construction fee	Receiving of services	CPC and its subsidiaries	Based on normal commercial terms or relevant agreements	38,023	22.65%	61,556	8.28%
Miscellaneous services	Receiving of services	CPC and its subsidiaries	Based on normal commercial terms or relevant agreements	5,222	100.00%	3,180	100.00%
Sale of products	Sale of products	CPC and its subsidiaries	Based on normal commercial terms or relevant agreements	170,436	1.95%	277,402	3.33%

## 6 Related parties and related party transactions (continued)

### (4) Related party transactions (continued)

#### (b) Other related party transactions

Nature of the transaction	Type of the transaction	Name	Pricing policy and procedure for decision-making	For the six months period ended 30 June			
				2013		2012	
				Amount	% of the total amount of similar transactions	Amount	% of the total amount of similar transactions
Insurance premium	Rendering of services	CPC and its subsidiaries	Based on normal commercial terms or relevant agreements	7,390	100.00%	3,937	100.00%
Interest income	Rendering of services	Sinopec Finance	Based on normal commercial terms or relevant agreements	598	2.75%	6,198	32.18%
Interest income	Rendering of services	China CITIC Bank	Based on normal commercial terms or relevant agreements	365	1.68%	1,998	10.37%
Miscellaneous services	Rendering of services	FEYP	Based on normal commercial terms or relevant agreements	-	-	16,765	100.00%
Interest expenses	Borrowings	Sinopec Finance	Based on normal commercial terms or relevant agreements	11,487	52.15%	-	-
Borrowings obtained	Borrowings	Sinopec Finance	Based on normal commercial terms or relevant agreements	500,000	42.86%	-	-
Borrowings repaid	Borrowings	Sinopec Finance	Based on normal commercial terms or relevant agreements	300,000	74.07%	-	-

For the six months period ended 30 June 2013, the Company borrowed loans from Sinopec Finance totally amounting to RMB500,000 thousand, bearing the interest at 5.04% and 5.32% per annum (six months period ended 30 June 2012: Nil).

For the six months period ended 30 June 2013, the Company repaid loans to Sinopec Finance totally amounting to RMB300,000 thousand (six months period ended 30 June 2012: Nil).

#### (c) Guarantee

Pursuant to the Joint Banks Loan Agreement, FEYP is offered a term loan facility of up to USD350 million for the period of 5 years. The Company and Far Eastern Polytex Holding Limited ("FEPH") will provide guarantee in respect of the Loan Facility, which is severally liable and prorate to their respective percentage equity interest in FEYP. Based on the percentage equity interest of the Company and FEPH in FEYP as at 15 May 2013, the Company and FEPH will guarantee 40% and 60% of the liabilities of FEYP under the Loan Facility respectively. As at 30 June 2013, FEYP has not borrowed in any loans under this facility.



**6 Related parties and related party transactions (continued)**  
**(4) Related party transactions (continued)**

(d) Remuneration of key management personnel

	For the six months period ended 30 June 2013	For the six months period ended 30 June 2012
Remuneration	1,281	1,325
Retirement scheme contribution	124	122
	<b>1,405</b>	<b>1,447</b>

**(5) Receivables from and payables to related parties**

		30 June 2013	31 December 2012
Bank deposits	Sinopec Finance	8,869	13,784
	China CITIC Bank	12,307	50,129
		<b>21,176</b>	<b>63,913</b>
Accounts receivable	CPC and its subsidiaries	7,711	10,793
Other receivables	FEYP	459	–
Advances to suppliers	Sinopec Corp and its subsidiaries	15,700	25,630
Accounts payable	Sinopec Corp and its subsidiaries	1,014,918	1,177,670
	CPC and its subsidiaries	5,994	27,099
		<b>1,020,912</b>	<b>1,204,769</b>
Other payables	Sinopec Corp and its subsidiaries	1,436	1,427
	CPC and its subsidiaries	50,215	3,001
		<b>51,651</b>	<b>4,428</b>
Advances from customers	CPC and its subsidiaries	24,717	4,113
Short-term borrowings	Sinopec Finance	500,000	300,000
Interests payable	Sinopec Finance	716	163
Notes payable	CPC and its subsidiaries	200,000	–

## 7 Contingency

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 corporate income tax ("CIT") for 2007 at a rate of 33 percent. To date, the Company has not been requested to pay additional CIT in respect of any years prior to 2007. There is no further development of this matter during the six-month period ended 30 June 2013. 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

### (1) Capital commitments

- (a) Capital expenditures contracted for but not yet necessary to be recognised on the balance sheet

	30 June 2013	31 December 2012
Buildings, machinery and equipment	302,833	294,915

- (b) Capital commitments authorised by the management but are not yet contracted for

	30 June 2013	31 December 2012
Buildings, machinery and equipment	263,819	269,172

### (2) Operating lease commitments

The future minimum lease payments due under the signed irrevocable operating leases contracts are summarised as follows:

	30 June 2013	31 December 2012
Within one year	665	-
Between 1 and 2 years	39	-
	704	-

### (3) Investment commitments

The Company had outstanding commitments of RMB49,430 thousand in respect of its investment in FEYP at 30 June 2013 not provided for in the financial statements (31 December 2012: RMB50,284 thousand).

### (4) Fulfillment of commitments for the previous period

The Company has fulfilled the capital and operating lease commitments as at 31 December 2012.

## 9 Events after the balance sheet date

Pursuant to “the Approval for A Share Reform Scheme of Sinopec Yizheng Chemical Fibre Company Limited” (Guo Zi Chan Quan [2013] No.442) issued by the State-owned Assets Supervision and Administration Commission and “the Approval for A Share Reform Scheme of Sinopec Yizheng Chemical Fibre Company Limited” (Cai Jin Han [2013] No.61) issued by Ministry of Finance of the PRC, the A share reform scheme was announced on 20 June 2013 and approved by the A share shareholders’ meeting on 8 July 2013. In accordance with the A Share Reform Scheme, the shareholders holding non-circulating shares of the Company, Sinopec Corp and CITIC Limited will grant other shareholders (which are registered on 16 August 2013) 5 shares for every 10 shares.

Pursuant to the A Share Reform Scheme, Sinopec Corp and CITIC Limited commits to hold those non-circulating shares without trading and transferring within 12 months since they obtains the circulating right. After the maturity of the restriction period, Sinopec Corp and CITIC Limited can trade those non-circulating shares up to 5% of the Company’s total shares within 12 months and 10% within 24 months.

Sinopec Corp and CITIC Limited have undertaken that within 6 months from the date their non-circulating A shares in the Company have obtained the right to be tradable on the stock market, they will propose to convene a general meeting of the Company to consider a proposal for an issue to all holders of A Shares and H Shares of the Company of 4 or more new shares for each 10 shares held out of the common reserves of the Company, and will vote for the resolution at the general meeting of the Company to approve such proposal.

Further, in connection with the A shares reform scheme, Sinopec Corp and CITIC Limited have made an undertaking that within 12 months from the date their non-circulating A shares in the Company have obtained the right to be tradable on the stock market, they will propose that, subject to compliance with the relevant systems of the State-owned Assets Supervision and Administration Commission of the State Council, the Ministry of Finance and the China Securities Regulatory Commission, the Board of Directors of the Company makes a proposal for a share option incentive scheme, with the exercise price of the first grant of share options being not less than RMB6.64 per A share, being the closing price of the A Shares on 30 May 2013 (such minimum exercise price will be subject to adjustment due to matters for exclusion of rights and dividends prior to the announcement of the proposal for the share option incentive scheme).

## 10 Financial instrument and risk

The Company's activities expose it to a variety of financial risks: market risk (primarily currency risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

### (1) Market risk

#### (a) Foreign exchange risk

The Company's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB, except for part of the revenue and purchase which are denominated in USD. The Company is exposed to foreign exchange risk arising from the recognized assets and liabilities, and future transactions denominated in foreign currencies, primarily with respect to US dollars. The Company's finance department is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies. The Company may consider entering into forward exchange contracts or currency swap contracts to mitigate the foreign exchange risk. For the six months period ended 30 June 2013 and the year ended 31 December 2012, the Company did not enter into any forward exchange contracts or currency swap contracts.

As at 30 June 2013 and 31 December 2012, the carrying amounts in RMB equivalent of the Company's assets and liabilities denominated in foreign currencies are summarised below:

	30 June 2013		Total
	USD	Others	
Financial assets denominated in foreign currency —			
Cash at bank and on hand	309	—	309
Receivables	88,780	—	88,780
	<b>89,089</b>	<b>—</b>	<b>89,089</b>
Financial liabilities denominated in foreign currency —			
Short-term borrowings	46,340	—	46,340
Payables	744,521	—	744,521
	<b>790,861</b>	<b>—</b>	<b>790,861</b>





## 10 Financial instrument and risk (continued)

### (1) Market risk (continued)

#### (a) Foreign exchange risk (continued)

	31 December 2012		Total
	USD	Others	
Financial assets denominated in foreign currency —			
Cash at bank and on hand	239	–	239
Receivables	86,401	–	86,401
	<u>86,640</u>	<u>–</u>	<u>86,640</u>
Financial liabilities denominated in foreign currency —			
Payables	812,503	–	812,503

As at 30 June 2013, if the currency had strengthened/weakened by 5% against the USD while all other variables had been held constant, the Company's total loss for the six months period ended 30 June 2013 would have been approximately RMB35,088 thousand (31 December 2012: RMB36,290 thousand) lower/higher for various financial assets and liabilities denominated in USD.

#### (b) Interest rate risk

The Company's interest rate risk arises from short-term bank loans. Financial liabilities issued at floating rates expose the Company to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Company to fair value interest rate risk. The Company determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions.

The Company's finance department continuously monitors the interest rate position of the Company. Increases in interest rates will increase the cost of new borrowing and the interest expenses with respect to the Company's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Company's financial position. The Company's management will make decisions with reference to the latest market conditions. The Company may enter into interest rate swap agreements to mitigate its exposure to interest rate risk. For the six months period ended 30 June 2013 and the year ended 31 December 2012, the Company did not enter into any interest rate swap agreements.

## 10 Financial instrument and risk (continued)

### (1) Market risk (continued)

(b) Interest rate risk (continued)

Fixed rate financial instruments:

	30 June 2013		31 December 2012	
	Annual interest rate	Amount	Annual interest rate	Amount
Financial assets				
— Cash at bank and on hand	3.08%	20,000	2.86%	50,000

Floating rate financial instrument:

	30 June 2013		31 December 2012	
	Annual interest rate	Amount	Annual interest rate	Amount
Financial assets				
— Cash at bank and on hand	0.35%	40,619	0.35%	111,999
Financial liabilities				
— Short-term borrowings	1.30% to 5.32%	1,166,340	5.04% to 5.32%	405,000

For the six months period ended 30 June 2013, if interest rates on the floating rate borrowings had risen/fallen 100 basis points while all other variables had been held constant, the Company's total loss would have increased/decreased by approximately RMB4,609 thousand (31 December 2012: RMB86 thousand).

### (2) Credit risk

Credit risk is managed on a Company basis. Credit risk mainly arises from cash at bank and on hand, accounts receivable, other receivables, notes receivable etc.

The Company expects that there is no significant credit risk associated with cash at bank and notes receivable since they are either deposited or will be accepted by at state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

In addition, the Company has policies to limit the credit exposure on accounts receivables and other receivables. The Company assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Company. In respect of customers with a poor credit history, the Company will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Company is limited to a controllable extent.



## 10 Financial instrument and risk (continued)

### (3) Liquidity risk

Cash flow forecasting is performed by Company's finance department. The Company's finance department monitors rolling forecasts of the Company's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institution so that the Company does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

The financial assets and liabilities of the Company at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows:

	30 June 2013				
	Within 1 year	1 to 2 years	2 to 4 years	Over 4 years	Total
Financial assets —					
Cash at bank and on hand	60,957	—	—	—	60,957
Receivables	2,487,229	—	—	—	2,487,229
	<b>2,548,186</b>	—	—	—	<b>2,548,186</b>
Financial liabilities —					
Short-term borrowings	1,184,667	—	—	—	1,184,667
Payables	1,814,243	—	—	—	1,814,243
	<b>2,998,910</b>	—	—	—	<b>2,998,910</b>

	31 December 2012				
	Within 1 year	1 to 2 years	2 to 4 years	Over 4 years	Total
Financial assets —					
Cash at bank and on hand	162,392	—	—	—	162,392
Receivables	2,253,847	—	—	—	2,253,847
	<b>2,416,239</b>	—	—	—	<b>2,416,239</b>
Financial liabilities —					
Short-term borrowings	415,524	—	—	—	415,524
Payables	1,779,853	—	—	—	1,779,853
	<b>2,195,377</b>	—	—	—	<b>2,195,377</b>

### (4) Fair value

As at 30 June 2013 and 31 December 2012, financial assets and liabilities not measured at fair value mainly represent receivables, short-term borrowings and payables. The carrying amount of the financial assets and liabilities not measured at fair value is a reasonable approximation of their fair value.

## Supplementary Information

For the six months period ended 30 June 2013

(All amounts in RMB'000 Yuan unless otherwise stated)

[English translation for reference only]

### 1 Statement of non-recurring profit or loss

	For the six months period ended 30 June	
	2013	2012
Net loss on disposal of non-current assets	(2,919)	(3,337)
Government grants recognised in profit or loss for the period	683	644
Investment income on disposal of financial assets held for trading	—	6,751
Non-operating income/(expenses) other than aforesaid items	(13,987)	(4,593)
	(16,223)	(535)
Effect of income tax	4,056	134
	(12,167)	(401)

#### **Basis for preparation of statement of non-recurring profit or loss**

Under the requirements in Explanatory announcement No. 1 on information disclosure by companies offering securities to the public — non-recurring profit or loss [2008] from CSRC, non-recurring profit or loss refer to those arises from transactions and events that are not directly relevant to ordinary activities, or that are relevant to ordinary activities, but are extraordinary and not expected to recur frequently that would have an influence on users of financial statements making economic decisions on the financial performance and profitability of an enterprise.



## Supplementary Information (continued)

For the six months period ended 30 June 2013

(All amounts in RMB'000 Yuan unless otherwise stated)

[English translation for reference only]

## 2 Differences in the financial states prepared under different accounting standards

The differences between the financial statements prepared under the International Financial Reporting Standard ("IFRS") and PRC accounting standards ("PRC GAAP") on discrepancy and amount are as follows:

	Net loss		Net assets	
	For the six months period ended 30 June 2013	For the six months period ended 30 June 2012	30 June 2013	31 December 2012
Amounts under PRC GAAP	<b>(491,445)</b>	(216,570)	<b>8,059,008</b>	8,549,338
Discrepancy and amount —				
Government grants (a)	<b>1,415</b>	1,415	<b>(34,440)</b>	(35,855)
Specific reserve (b)	<b>1,115</b>	520	—	—
Tax effects of the above adjustments	—	—	—	—
Amounts under IFRS	<b>(488,915)</b>	(214,635)	<b>8,024,568</b>	8,513,483

### (a) Government grants

Under PRC GAAP, grants from government that are credited to capital reserve according to relevant regulation cannot be included in deferred income. Under IFRS, the government grants related to assets are recognised initially as deferred income and amortised to profit or loss on a straight-line basis over the useful life of the assets.

### (b) Specific reserve

Under PRC GAAP, accrued production safety fund is recognised as expenses in profit or loss and separately recorded as a specific reserve in shareholders' equity according to the national regulation. As using production 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 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.

### Supplementary Information (continued)

For the six months period ended 30 June 2013

(All amounts in RMB'000 Yuan unless otherwise stated)

[English translation for reference only]

### 3 Return on net assets and earnings per share

	Weighted average return on net assets (%)		Earnings per share			
			Basic earnings per share		Diluted earnings per share	
	For the six months period ended	For the six months period ended	For the six months period ended	For the six months period ended	For the six months period ended	For the six months period ended
	30 June 2013	30 June 2012	30 June 2013	30 June 2012	30 June 2013	30 June 2012
		(Yuan/share)	(Yuan/share)	(Yuan/share)	(Yuan/share)	
Net loss attributable to the Company's ordinary equity shareholders	(5.92)	(2.44)	(0.123)	(0.054)	(0.123)	(0.054)
Net loss attributable to the Company's ordinary equity shareholders after deduction of non-recurring profit or loss	(5.77)	(2.44)	(0.120)	(0.054)	(0.120)	(0.054)

**Supplementary Information (continued)**

For the six months period ended 30 June 2013

(All amounts in RMB'000 Yuan unless otherwise stated)

[English translation for reference only]

**4 Description on changes of major financial statements items**  
**(1) Balance sheet item**

Item	30	31	Change (amount)	Change (%)	Reason for change
	June 2013	December 2012			
<b>Assets:</b>					
Cash at bank and on hand	60,649	162,027	(101,378)	-63%	Increase in net cash outflow in operating activities during the period
Notes receivable	2,294,794	2,092,377	202,417	10%	Decrease in notes discounted due to increased cost
Other receivables	43,245	17,608	25,637	146%	Increase in temporary deposit during the period
Fixed assets	3,353,290	3,495,550	(142,260)	-4%	Decrease due to normal depreciation
Long-term prepaid expenses	135,503	-	135,503	N/A	Catalysts used in 1-4 butanediol project was put into use and subject to amortization in the period
Deferred tax assets	416,449	312,039	104,410	33%	Increase in deductible tax losses during the period
<b>Liabilities and shareholders' equity:</b>					
Short-term borrowings	1,166,340	405,000	761,340	188%	Increase in borrowings during the period
Notes payable	200,000	-	200,000	N/A	Start to use bank notes to settle payables for purchase of goods during the period
Accounts payable	1,265,213	1,535,245	(270,032)	-18%	Settlement of certain payable for goods carried forward from previous year end
Advances from customers	214,202	311,022	(96,820)	-31%	Settlement of advances from customers carried forward from previous year end
Taxes payable	1,762	13,081	(11,319)	-87%	Payment of taxes payable carried forward from previous year end
Interests payable	1,541	393	1,148	292%	Increase in borrowings during the period
Other payables	349,030	244,608	104,422	43%	Increase in purchase of equipment at the end of the period
Specific reserve	1,195	80	1,115	1,394%	Increase in production safety fund due to increase in sales of dangerous products during the period
Undistributed profit	710,636	1,202,081	(491,445)	-41%	Loss of the current period payable

## Supplementary Information (continued)

For the six months period ended 30 June 2013

(All amounts in RMB'000 Yuan unless otherwise stated)

[English translation for reference only]

### 4 Description on changes of major financial statements items (continued)

#### (2) Income statement item

Item	For six months period ended 30 June 2013	For six months period ended 30 June 2013	Change (amount)	Change (%)	Reason for change
	Revenue	<b>8,717,991</b>	8,328,595	389,396	5%
Cost of sales	<b>8,812,475</b>	8,130,724	681,751	8%	Increase of material cost during the period
Business taxes and surcharges	<b>29</b>	384	(355)	-92%	Decrease of urban construction tax and educational surcharges due to less turnover tax payment during the period
Financial income — net	<b>1,943</b>	22,874	(20,931)	-92%	Increase in interest expenses in line with rise in borrowings during the period
Impairment loss	<b>15</b>	(1,652)	1,667	-101%	No material provision or reversal of reserve for bad debts during the current period
Investment (loss)/income	<b>(2,959)</b>	9,255	(12,214)	-132%	Investment loss resulted from a joint venture which started construction in 2013 and was in loss position during the period.
Non-operating income	<b>1,305</b>	2,116	(811)	-38%	Decrease in gains on disposal of fixed assets during the period
Non-operating expenses	<b>17,528</b>	9,402	8,126	86%	Increase in external labor services expenses during the period





## (B) Prepared in accordance with International Financial Reporting Standards

### Report on Review of Condensed Interim Financial Information



羅兵咸永道

### To the Board of Directors of Sinopec Yizheng Chemical Fibre Company Limited

*(Incorporated in the People's Republic of China with limited liability)*

#### Introduction

We have reviewed the interim financial information set out on pages 121 to 143, which comprises the interim condensed statement of financial position of Sinopec Yizheng Chemical Fibre Company Limited (the "Company") as at 30 June 2013 and the related interim condensed statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information 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 of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review 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.

## **Report on Review of Condensed Interim Financial Information (continued)**

### **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 interim financial information consists of making inquiries, 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 information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

### **PricewaterhouseCoopers**

Certified Public Accountants

Hong Kong, 29 August 2013



## Statement of comprehensive income

	Notes	Six months period ended 30 June	
		2013 RMB'000	2012 RMB'000
Revenue	6	8,717,991	8,328,595
Cost of sales		(8,949,348)	(8,282,688)
<b>Gross (loss)/profit</b>		<b>(231,357)</b>	45,907
Other income	7	2,279	2,722
Distribution costs		(109,521)	(110,385)
Administrative expenses		(236,329)	(268,622)
Other expenses		(17,087)	(8,593)
<b>Operating loss</b>		<b>(592,015)</b>	(338,971)
Finance income	8	25,848	23,280
Finance costs	8	(23,905)	(406)
Net finance income		1,943	22,874
Investment income		–	6,751
Share of (loss)/profit of a jointly controlled entity		(2,959)	2,504
<b>Loss before income tax</b>	9	<b>(593,031)</b>	(306,842)
Income tax expense	10	104,116	92,207
<b>Loss attributable to owners of the Company for the period</b>		<b>(488,915)</b>	(214,635)
<b>Other comprehensive income for the period, net of tax</b>		–	–
<b>Total comprehensive expense attributable to owners of the Company for the period</b>		<b>(488,915)</b>	(214,635)
<b>Loss per share attributable to owners of the Company</b>			
Basic and diluted loss per share (in RMB)	12	(0.122)	(0.054)
<b>Dividends</b>	11	–	120,000

The notes on pages 126 to 143 form an integral part of these interim financial information.

The condensed interim financial information on pages 121 to 143 were approved by the Board of Directors on 29 August 2013 and were signed on its behalf.

**Lu Liyong**  
Director

**Xiao Weizhen**  
Director

## Statement of financial position

		30 June 2013 RMB'000	31 December 2012 RMB'000
	<i>Notes</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	5,192,865	5,391,113
Lease prepayments		267,505	271,743
Investments in a jointly controlled entity		581,860	584,819
Long-term deferred expenses	14	135,503	–
Deferred tax assets	21	416,449	312,039
<b>Total non-current assets</b>		<b>6,594,182</b>	6,559,714
<b>Current assets</b>			
Inventories		1,792,890	1,735,734
Trade and other receivables	17	2,757,128	2,539,353
Prepaid taxation		131,082	141,376
Deposits with banks	15	20,000	–
Cash and cash equivalents	16	40,649	162,027
<b>Total current assets</b>		<b>4,741,749</b>	4,578,490
<b>Total assets</b>		<b>11,335,931</b>	11,138,204
<b>EQUITY</b>			
Share capital	18	4,000,000	4,000,000
Share premium	18	2,518,833	2,518,833
Other reserves	19	229,917	228,802
Retained earnings		1,275,818	1,765,848
<b>Total equity</b>		<b>8,024,568</b>	8,513,483


**Statement of financial position (continued)**

		<b>30 June</b>	31 December
		<b>2013</b>	2012
	<i>Notes</i>	<b>RMB'000</b>	RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income	23	<b>53,923</b>	55,103
<b>Current liabilities</b>			
Trade and other payables	22	<b>2,091,100</b>	2,164,618
Borrowings	20	<b>1,166,340</b>	405,000
<b>Total current liabilities</b>		<b>3,257,440</b>	2,569,618
<b>Total liabilities</b>		<b>3,311,363</b>	2,624,721
<b>Total equity and liabilities</b>		<b>11,335,931</b>	11,138,204
<b>Net current assets</b>		<b>1,484,309</b>	2,008,872
<b>Total assets less current liabilities</b>		<b>8,078,491</b>	8,568,586

The notes on pages 126 to 143 form an integral part of these interim financial information.

The condensed interim financial information on pages 121 to 143 were approved by the Board of Directors on 29 August 2013 and were signed on its behalf.

**Lu Liyong**  
Director

**Xiao Weizhen**  
Director

### Statement of changes in equity

	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total equity RMB'000
<b>Balance at 1 January 2013</b>	<b>4,000,000</b>	<b>2,518,833</b>	<b>228,802</b>	<b>1,765,848</b>	<b>8,513,483</b>
Total comprehensive expense for the six months period ended 30 June 2013	-	-	-	(488,915)	(488,915)
Specific reserve accrued (Note 19)	-	-	1,115	(1,115)	-
<b>Balance at 30 June 2013</b>	<b>4,000,000</b>	<b>2,518,833</b>	<b>229,917</b>	<b>1,275,818</b>	<b>8,024,568</b>
<b>Balance at 1 January 2012</b>	<b>4,000,000</b>	<b>2,518,833</b>	<b>228,722</b>	<b>2,244,384</b>	<b>8,991,939</b>
Total comprehensive expense for the six months period ended 30 June 2012	-	-	-	(214,635)	(214,635)
Dividends relating to 2011 announced in June 2012	-	-	-	(120,000)	(120,000)
Specific reserve accrued (Note 19)	-	-	520	(520)	-
<b>Balance at 30 June 2012</b>	<b>4,000,000</b>	<b>2,518,833</b>	<b>229,242</b>	<b>1,909,229</b>	<b>8,657,304</b>

The notes on pages 126 to 143 form an integral part of these interim financial information.



## Statement of cash flows

	Six months period ended 30 June	
	2013 RMB'000	2012 RMB'000
<i>Notes</i>		
<b>Cash flows from operating activities</b>		
— Continuing operations	(724,873)	(491,702)
— Interests paid	(20,877)	—
— Income tax paid	(294)	(11,575)
<b>Cash flows from operating activities — net</b>	<b>(746,044)</b>	<b>(503,277)</b>
<b>Cash flows from investing activities</b>		
— Purchases of property, plant and equipment	(122,659)	(401,271)
— Proceeds from disposal of property, plant and equipment	1,074	1,520
— Other investing cash flow — net	(18,023)	114,638
<b>Cash flows from investing activities — net</b>	<b>(139,608)</b>	<b>(285,113)</b>
<b>Cash flows from financing activities</b>		
— Proceeds from borrowings	1,357,724	—
— Repayments of borrowings	(595,128)	—
<b>Cash flows from financing activities — net</b>	<b>762,596</b>	<b>—</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(123,056)</b>	<b>(788,390)</b>
Cash and cash equivalents at 1 January	162,027	1,506,821
Exchange gains	1,678	—
<b>Cash and cash equivalents at 30 June</b>	<b>40,649</b>	<b>718,431</b>

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The notes on pages 126 to 143 form an integral part of these interim financial information.

## Notes to the Condensed Interim Financial Information

### 1 General information

Sinopec Yizheng Chemical Fibre Company Limited ("the Company") is principally engaged in the production and sale of chemical fibre and chemical fibre raw materials in the People's Republic of China ("the PRC").

The Company is a limited liability company incorporated in the PRC. The address of its registered office is Yizheng City, Jiangsu Province, 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.

The Company issued 1,000,000,000 H shares in March 1994, 200,000,000 A shares in January 1995 and 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.

This condensed interim financial information is presented in RMB, unless otherwise stated. This condensed interim financial information was approved for issue by the Board of Directors of the Company on 29 August 2013.

This condensed interim financial information have been reviewed, not audited.

The Company commenced the A share reform from May 2013 and the reform scheme has been approved by the shareholders' meeting on 8 July 2013. Further details are given in Note 27.

The Company will provide guarantee in respect of a term loan facility of up to USD140 million for the period of 5 years, which is offered to its joint venture named Far Eastern Yihua Petrochemical (Yangzhou) Co., Ltd. ("FEYP"). Further details are given in Note 26(f).

### 2 Basis of preparation

These condensed interim financial information for the six months period ended 30 June 2013 have been prepared in accordance with International Accounting Standard 34 ("IAS 34"), 'Interim financial reporting'. The condensed interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").



### 3 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2012, as described in those annual financial statements.

- (a) New standards, amendments and interpretations to existing standards which are effective for accounting periods beginning on or after 1 January 2013 and adopted by the Company.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2013 and have no material impact for the Company:

- IFRS 11 — Joint arrangements
- IFRS 13 — Fair value measurement

The following new standards, amendments and interpretations to existing standards are mandatory for the first time for the financial year beginning 1 January 2013, but are not currently relevant for the Company:

- IAS 19 (revised) — Employee benefits
  - IFRS 10 — Consolidated financial statements
- (b) Standards, amendments and interpretations to existing standards that are not yet effective for the financial year beginning 1 January 2013 and have not been early adopted.
- IFRS 9 — Financial instruments

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

### 4 Estimates

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial information, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2012.

## 5 Segment information

The Company 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 Company's senior executive management for the purposes of resource allocation and performance assessment, the Company 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"). In view of the fact that the Company operates mainly in the PRC, no geographical segment information is presented.

### (a) Segment results and assets

For the purposes of assessing segment performance and allocating resources between segments, the Company'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 cost of sales 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 (loss)/profit" (including inter-segment profit).

In addition to receiving segment information concerning "gross (loss)/profit" (including inter-segment 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.



## 5 Segment information (continued)

### (a) Segment results and assets (continued)

Information regarding the Company's reportable segments as provided to the Company's 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 <sup>#</sup>		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	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
<b>For the six months period ended 30 June</b>														
Revenue from external customers	3,066,941	2,698,513	1,874,412	1,895,739	3,038,086	2,828,044	390,597	590,248	32	95,147	347,923	220,904	8,717,991	8,328,595
Inter-segment revenue	-	-	-	-	-	-	-	-	3,324,413	3,895,445	-	-	3,324,413	3,895,445
<b>Reportable segment revenue</b>	<b>3,066,941</b>	<b>2,698,513</b>	<b>1,874,412</b>	<b>1,895,739</b>	<b>3,038,086</b>	<b>2,828,044</b>	<b>390,597</b>	<b>590,248</b>	<b>3,324,445</b>	<b>3,990,592</b>	<b>347,923</b>	<b>220,904</b>	<b>12,042,404</b>	<b>12,224,040</b>
Gross (loss)/profit from external customers	(94,944)	(32,026)	18,207	65,474	(30,355)	71,671	(83,331)	(93,517)	2	(3,355)	(45,499)	(10,652)	(235,920)	(2,405)
Inter-segment profit	-	-	-	-	-	-	-	-	4,563	53,934	-	-	4,563	53,934
<b>Reportable segment (loss)/profit</b>	<b>(94,944)</b>	<b>(32,026)</b>	<b>18,207</b>	<b>65,474</b>	<b>(30,355)</b>	<b>71,671</b>	<b>(83,331)</b>	<b>(93,517)</b>	<b>4,565</b>	<b>50,579</b>	<b>(45,499)</b>	<b>(10,652)</b>	<b>(231,357)</b>	<b>51,529</b>
Depreciation and amortisation	35,927	32,598	5,939	9,387	26,973	19,096	1,654	5,016	83,696	81,443	79,862	58,783	234,051	206,323
<b>As at 30 June 2013 and 2012</b>														
<b>Reportable segment assets</b>	<b>785,969</b>	<b>756,433</b>	<b>240,823</b>	<b>182,396</b>	<b>876,652</b>	<b>691,359</b>	<b>236,523</b>	<b>121,485</b>	<b>889,646</b>	<b>978,932</b>	<b>1,430,774</b>	<b>1,159,160</b>	<b>4,460,387</b>	<b>3,889,765</b>

<sup>#</sup> Revenue from segments below the quantitative thresholds are mainly attributable to five operating segments of the Company including one logistic center, one power center, one water supply center, one thermal center and one high-fiber center. None of those segments met any of the quantitative thresholds for determining reportable segments.

5 **Segment information (continued)**  
**(b) Reconciliations of reportable segment revenues, (loss)/profit, assets and other material items**

	Six months period ended	
	30 June	
	2013	2012
	RMB'000	RMB'000
<b>Revenue</b>		
Revenue for reportable segments		
excluding other revenue	<b>11,694,481</b>	12,003,136
Other revenue	<b>347,923</b>	220,904
Elimination of inter-segment revenue	<b>(3,324,413)</b>	(3,895,445)
Turnover	<b>8,717,991</b>	8,328,595

	Six months period ended	
	30 June	
	2013	2012
	RMB'000	RMB'000
<b>(Loss)/profit</b>		
(Loss)/profit for reportable segments		
excluding other profit	<b>(185,858)</b>	62,181
Other loss	<b>(45,499)</b>	(10,652)
Unallocated loss	–	(5,622)
Gross (loss)/profit	<b>(231,357)</b>	45,907
Other income	<b>2,279</b>	2,722
Distribution costs	<b>(109,521)</b>	(110,385)
Administrative expenses	<b>(236,329)</b>	(268,622)
Other expenses	<b>(17,087)</b>	(8,593)
Net finance income	<b>1,943</b>	22,874
Investment income	–	6,751
Share of (loss)/profit of a jointly controlled entity	<b>(2,959)</b>	2,504
Loss before income tax	<b>(593,031)</b>	(306,842)


**5 Segment information (continued)**
**(b) Reconciliations of reportable segment revenues, (loss)/profit, assets and other material items (continued)**

	Six months period ended	
	30 June	
	2013	2012
	RMB'000	RMB'000
<b>Depreciation and amortisation</b>		
Depreciation and amortisation for reportable segments excluding other depreciation and amortisation	154,189	147,540
Other depreciation and amortisation	79,862	58,783
Unallocated depreciation and amortisation	11,602	15,451
Total depreciation and amortisation	<b>245,653</b>	<b>221,774</b>

	At	At
	30 June	31 December
	2013	2012
	RMB'000	RMB'000
<b>Assets</b>		
Assets for reportable segments excluding other assets	3,029,613	2,730,605
Other assets	1,430,774	1,159,160
Unallocated assets	2,525,368	1,366,201
	<b>6,985,755</b>	<b>5,255,966</b>
Other non-current assets	1,401,317	3,039,482
Trade and other receivables	2,757,128	2,539,353
Prepaid taxation	131,082	141,376
Deposits with banks	20,000	–
Cash and cash equivalents	40,649	162,027
<b>Total assets</b>	<b>11,335,931</b>	<b>11,138,204</b>

**6 Revenue**

Revenue represents the sales value of goods supplied to customers, excluding value added tax and is after deduction of any sales discounts and returns.

## 7 Other income

	Six months period ended	
	30 June	
	2013	2012
	RMB'000	RMB'000
Government grants	2,098	2,059
Others	181	663
	<b>2,279</b>	<b>2,722</b>

## 8 Finance income and costs

	Six months period ended	
	30 June	
	2013	2012
	RMB'000	RMB'000
Interest income	21,714	19,255
Net foreign exchange gain	4,134	4,025
Finance income	<b>25,848</b>	23,280
Interest expenses	(23,351)	–
Others	(554)	(406)
Finance costs	<b>(23,905)</b>	(406)
Net finance income	<b>1,943</b>	22,874

## 9 Operating loss

An analysis of the amounts presented as operating items in the financial information is given below.

	Six months period ended	
	30 June	
	2013	2012
	RMB'000	RMB'000
Cost of inventories	8,949,348	8,282,688
Depreciations	224,571	217,534
Impairment losses of property, plant and equipment	–	–
Amortisation of lease prepayment	4,238	4,240
Amortisation of long-term deferred expenses	16,844	–
Net realised gain on available-for-sale financial assets	–	4,740
Net realised gain on held-to-maturity financial assets	–	2,011
Net loss on disposal of property, plant and equipment	<b>2,919</b>	3,337



## 10 Income tax expense

Income tax in the statement of comprehensive income represents:

	Six months period ended 30 June	
	2013 RMB'000	2012 RMB'000
Current income tax		
— Under-provision in prior year	294	11,332
Deferred income tax	(104,410)	(103,539)
	(104,116)	(92,207)

The charge for PRC income tax for the six months period ended 30 June 2013 is calculated at the rate of 25% (six months period ended 30 June 2012: 25%) on the estimated assessable income of the period determined in accordance with relevant income tax rules and regulations. The Company did not carry out business in Hong Kong or overseas and therefore does not incur Hong Kong Profits Tax or overseas income taxes.

## 11 Dividends

The Board of Directors of the Company did not recommend a payment of any interim dividend for the six months period ended 30 June 2013 (six months period ended 30 June 2012: nil).

## 12 Loss per share

### (a) Basic

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

### (b) Diluted

There were no dilutive potential ordinary shares in existence during the six months period ended 30 June 2013 and 2012.

	Six months period ended 30 June	
	2013 RMB'000	2012 RMB'000
Loss attributable to owners of the Company	(488,915)	(214,635)
Weighted average number of ordinary shares in issue	400,000	400,000
Basic and diluted loss per share (RMB)	(0.122)	(0.054)

### 13 Property, plant and equipment

	Property, plant and equipment RMB'000	Construction in progress RMB'000	Other intangible assets RMB'000	Total RMB'000
<b>Carrying amount as at 1 January 2013</b>	<b>3,495,550</b>	<b>1,870,881</b>	<b>24,682</b>	<b>5,391,113</b>
Additions	73,553	180,926	–	254,479
Disposals	(2,256)	–	–	(2,256)
Transfer to fixed assets	–	(73,553)	–	(73,553)
Transfer to long-term deferred expenses	–	(152,347)	–	(152,347)
Depreciation	(213,558)	–	(11,013)	(224,571)
<b>Carrying amount as at 30 June 2013</b>	<b>3,353,289</b>	<b>1,825,907</b>	<b>13,669</b>	<b>5,192,865</b>
<b>Carrying amount as at 1 January 2012</b>	<b>3,366,832</b>	<b>1,201,201</b>	<b>45,061</b>	<b>4,613,094</b>
Additions	14,104	498,861	–	512,965
Disposals	(4,857)	–	–	(4,857)
Transfer to fixed assets	–	(14,104)	–	(14,104)
Depreciation	(206,607)	–	(10,927)	(217,534)
<b>Carrying amount as at 30 June 2012</b>	<b>3,169,472</b>	<b>1,685,958</b>	<b>34,134</b>	<b>4,889,564</b>

### 14 Long-term deferred expenses

	Six months period ended 30 June	
	2013 RMB'000	2012 RMB'000
At 1 January	–	–
Additions	152,347	–
Amortisation	(16,844)	–
At 30 June	135,503	–

As at 30 June 2013, long-term deferred expenses represent long-acting catalysis used for production, which is amortised over the respective estimated useful lives.

### 15 Deposits with banks

As at 30 June 2013, deposits with banks represent the deposits in PRC banks with initial maturity due within six months, which are pledged for issuance of bank acceptance notes.





## 16 Cash and cash equivalents

	<b>30 June 2013 RMB'000</b>	31 December 2012 RMB'000
Cash on hand	<b>30</b>	28
Balances with banks and other financial institutions with an initial term less than three months, which are related parties:		
— Sinopec Finance Company limited ("Sinopec Finance")	<b>8,869</b>	13,784
— China CITIC Bank	<b>12,307</b>	50,129
Balances with third-party banks and other financial institutions with an initial term less than three months	<b>19,443</b>	98,086
	<b>40,649</b>	162,027

## 17 Trade and other receivables

	<b>30 June 2013 RMB'000</b>	31 December 2012 RMB'000
Trade receivables	<b>140,133</b>	131,708
Notes receivable	<b>2,294,794</b>	2,092,377
Amounts due from the related parties — trade	<b>23,411</b>	36,423
	<b>2,458,338</b>	2,260,508
Amounts due from the related parties — non-trade	<b>459</b>	–
Other receivables, deposits and prepayments	<b>299,677</b>	280,206
	<b>300,136</b>	280,206
Less: allowance for doubtful debts	<b>(1,346)</b>	(1,361)
	<b>298,790</b>	278,845
	<b>2,757,128</b>	2,539,353

## 17 Trade and other receivables (continued)

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

At 30 June 2013 and 31 December 2012, the ageing analysis of the trade receivables, notes receivable, amounts due from the related parties -trade, based on the invoice date were as follows:

	<b>30 June 2013 RMB'000</b>	31 December 2012 RMB'000
Within 6 months	<b>2,458,243</b>	2,257,721
6 to 12 months	<b>95</b>	2,787
	<b>2,458,338</b>	2,260,508

## 18 Share capital and share premium

	Number of shares (thousands)	Ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
At 1 January 2013 and 30 June 2013	<b>4,000,000</b>	<b>4,000,000</b>	<b>2,518,833</b>	<b>6,518,833</b>
At 1 January 2012 and 30 June 2012	4,000,000	4,000,000	2,518,833	6,518,833

## 19 Other reserves

According to relevant PRC regulations, the Company is required to transfer an amount to reserve for the safety production fund based on the revenue of certain petrochemical products at rates specified in the related regulations. During the six-month period ended 30 June 2013, the Company transferred RMB1,115,000 from retained earnings to reserve for the safety production fund (six-months period ended 30 June 2012: RMB520,000).

For the six-months period ended 30 June 2013, no transfers were made to the statutory surplus reserve, or the discretionary surplus reserve (six-months period ended 30 June 2012: Nil).



## 20 Borrowings

	<b>30 June 2013 RMB'000</b>	31 December 2012 RMB'000
Current — unsecured	<b>1,166,340</b>	405,000

Movements in borrowings is analysed as follows:

	RMB'000
<b>Six months period ended 30 June 2013</b>	
Opening amount as at 1 January 2013	405,000
Proceeds from borrowings	1,357,724
Repayments of borrowings	(595,128)
Foreign exchange gains	(1,256)
<b>Closing amount as at 30 June 2013</b>	<b>1,166,340</b>

Interest expenses on borrowings for the six months period ended 30 June 2013 is RMB23,351,000 (30 June 2012: nil).

The Company has the following undrawn borrowing facilities:

	<b>30 June 2013 RMB'000</b>	31 December 2012 RMB'000
Floating rate:	<b>333,660</b>	750,000

These facilities have been arranged to help finance the working capitals and also ongoing investments on long-term assets.

The Company does not have any exposure to collateralised debt obligations. The Company has sufficient headroom to enable it to conform to covenants on its existing borrowings. The Company has sufficient working capital and undrawn financing facilities to service its operating activities and ongoing investments.

## 21 Deferred income tax assets

	<b>Six months period ended 30 June</b>	
	<b>2013 RMB'000</b>	2012 RMB'000
Opening balance at 1 January	<b>312,039</b>	122,536
Charged to profit	<b>104,410</b>	103,539
Closing balance at 30 June	<b>416,449</b>	226,075

## 22 Trade and other payables

	30 June 2013 RMB'000	31 December 2012 RMB'000
Trade payables	433,786	717,081
Amounts due to the related parties — trade	1,245,629	1,208,757
	<b>1,679,415</b>	1,925,838
Amounts due to the related parties — non-trade	52,367	4,716
Other payables and accrued expenses	359,318	234,064
	<b>411,685</b>	238,780
	<b>2,091,100</b>	2,164,618

The maturity analysis of trade payables and amounts due to the related parties-trade are as follows:

	30 June 2013 RMB'000	31 December 2012 RMB'000
Due within 3 months	1,639,378	1,813,776
4 to 6 months	31,857	46,432
Over 6 months but within 12 months	8,180	65,630
	<b>1,679,415</b>	1,925,838

## 23 Deferred income

	Six months period ended 30 June	
	2013 RMB'000	2012 RMB'000
At 1 January	55,103	55,001
Government grants received during the period	918	—
Recognised in the statement of comprehensive income for the period	(2,098)	(2,059)
At 30 June	<b>53,923</b>	52,942



## 24 Contingent liabilities

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 six months period ended 30 June 2013. No provision has been made in the interim financial information 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.

## 25 Commitments

### (a) Capital commitments

Capital commitments relate primarily to construction of buildings, plant, machinery and purchase of equipment. The Company had capital commitments outstanding at 30 June 2013 not provided for in the interim financial report as follows:

	30 June 2013 RMB'000	31 December 2012 RMB'000
Authorised and contracted for	302,833	294,915
Authorised but not contracted for	263,819	269,172
	<b>566,652</b>	<b>564,087</b>

### (b) Investment commitments

The Company had outstanding commitments of RMB49,430 thousand in respect of its investment in Far FEYP at 30 June 2013 not provided for in the interim financial report (31 December 2012: RMB50,284 thousand).

## 26 Related-party transactions

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

Sinopec Finance, China CITIC Bank, other subsidiaries, jointly controlled entities and associates of CPC and Sinopec Corp and other subsidiaries and jointly controlled entities of CITIC Group Corporation 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 Corporation.

On 27 December 2011, CITIC Group Corporation established CITIC Limited. CITIC Group Corporation and CITIC Limited entered into a restructuring agreement, whereby 720,000,000 of the Company's shares held by CITIC Group Corporation were transferred to CITIC Limited on 25 February 2013.

FEYP is considered to be a related party as it is a jointly controlled entity of which the Company and the other venturer have the ability to exercise jointly control over it.

**26 Related-party transactions (continued)**  
**(a) Purchases of goods and services**

	Six months period ended	
	30 June	
	2013	2012
	RMB'000	RMB'000
Purchases of goods:		
— Sinopec Corp and its subsidiaries	<b>5,660,824</b>	4,888,388
— CPC and its subsidiaries (excluding Sinopec Corp and its subsidiaries and Sinopec Finance)	<b>6,634</b>	2,818
Service charges:		
— Sinopec Corp and its subsidiaries	<b>10,885</b>	36,886
Construction and overhaul fee:		
— CPC and its subsidiaries (excluding Sinopec Corp and its subsidiaries and Sinopec Finance)	<b>38,023</b>	61,556
Miscellaneous service charges:		
— CPC and its subsidiaries (excluding Sinopec Corp and its subsidiaries and Sinopec Finance)	<b>5,222</b>	3,180
<b>Total</b>	<b>5,721,588</b>	4,992,828

**(b) Sales of goods and services**

	Six months period ended	
	30 June	
	2013	2012
	RMB'000	RMB'000
Sales of goods:		
— CPC and its subsidiaries (excluding Sinopec Corp and its subsidiaries and Sinopec Finance)	<b>170,436</b>	277,402
Insurance premium:		
— CPC and its subsidiaries (excluding Sinopec Corp and its subsidiaries and Sinopec Finance)	<b>7,390</b>	3,937
Interest income:		
— Sinopec Finance	<b>598</b>	6,198
— China CITIC Bank	<b>365</b>	1,998
Miscellaneous service fee charges:		
— FEYP	—	16,765
<b>Total</b>	<b>178,789</b>	306,300

**26 Related-party transactions (continued)**  
**(c) Others**

	Six months period ended	
	30 June	
	2013	2012
	RMB'000	RMB'000
Interest expenses:		
— Sinopec Finance	11,487	—
Borrowings received:		
— Sinopec Finance	500,000	—
Borrowings repaid:		
— Sinopec Finance	300,000	—

**(d) Key management compensation**

Key management compensation amounted to RMB1,405 thousand for the six months period ended 30 June 2013 (six months period ended 30 June 2012: RMB1,447 thousand). See below.

	Six months period ended	
	30 June	
	2013	2012
	RMB'000	RMB'000
Salaries and other short-term benefits	1,281	1,325
Retirement scheme contribution	124	122
	<b>1,405</b>	<b>1,447</b>

**26 Related-party transactions (continued)**  
**(e) Period-end balances arising from sales/purchases of goods/ services**

	<b>30 June 2013 RMB'000</b>	31 December 2012 RMB'000
Balances with banks		
— Sinopec Finance	<b>8,869</b>	13,784
— China CITIC Bank	<b>12,307</b>	50,129
Receivables from related parties:		
— Sinopec Corp and its subsidiaries	<b>15,700</b>	25,630
— CPC and its subsidiaries (excluding Sinopec Corp and its subsidiaries and Sinopec Finance)	<b>7,711</b>	10,793
— FEYP	<b>459</b>	–
Payables to related parties:		
— Sinopec Corp and its subsidiaries	<b>1,016,354</b>	1,179,097
— CPC and its subsidiaries (excluding Sinopec Corp and its subsidiaries and Sinopec Finance)	<b>280,926</b>	34,213
— Sinopec Finance	<b>716</b>	163
Borrowings from related parties:		
— Sinopec Finance	<b>500,000</b>	300,000

**(f) Guarantee**

Pursuant to the Joint Banks Loan Agreement, FEYP is offered a term loan facility of up to USD350 million for the period of 5 years. The Company and Far Eastern Polytex Holding Limited (“FEPH”) will provide guarantee in respect of the Loan Facility, which is severally liable and prorate to their respective percentage equity interest in FEYP. Based on the percentage equity interest of the Company and FEPH in FEYP as at 15 May 2013, the Company and FEPH will guarantee 40% and 60% of the liabilities of FEYP under the Loan Facility respectively. As at 30 June 2013, FEYP has not borrowed in any loans under this facility.





## 27 Events occurring after the balance sheet date

Pursuant to “the Approval for A Share Reform Scheme of Sinopec Yizheng Chemical Fibre Company Limited” (Guo Zi Chan Quan [2013] No.442) issued by the State-owned Assets Supervision and Administration Commission and “the Approval for A Share Reform Scheme of Sinopec Yizheng Chemical Fibre Company Limited” (Cai Jin Han [2013] No.61) issued by Ministry of Finance of the PRC, the A share reform scheme was announced on 20 June 2013 and approved by the A share shareholders’ meeting on 8 July 2013. In accordance with the A Share Reform Scheme, the shareholders holding non-circulating shares of the Company, Sinopec Corp and CITIC Limited will grant other shareholders (which are registered on 16 August 2013) 5 shares for every 10 shares.

Pursuant to the A Share Reform Scheme, Sinopec Corp and CITIC Limited commits to hold those non-circulating shares without trading and transferring within 12 months since they obtains the circulating right. After the maturity of the restriction period aforementioned, Sinopec Corp and CITIC Limited can trade those non-circulating shares up to 5% of the Company’s total shares they hold respectively within 12 months and 10% within 24 months.

Pursuant to the A Share Reform Scheme, Sinopec Corp and CITIC Limited undertakes that within 6 months from the date when their non-circulating A shares in the Company have obtained the right to be traded in the stock market , which is the first trading day after implementation of the A Share Reform Scheme, they will propose in a meeting of board of directors to convene a general meeting of the Company according to its article of association to consider a proposal for an issue to all shareholders of the Company of 4 or more new shares for each 10 shares held out of the common reserves of the Company, and will vote for the resolution at the general meeting of the Company to approve such proposal.

Further, Sinopec Corp and CITIC Limited have made an undertaking that within 12 months from the date their non-circulating A shares in the Company have obtained the right to be traded in the stock market, they will propose that, subject to compliance with the relevant regulations stipulated by the State-owned Assets Supervision and Administration Commission of the State Council, the Ministry of Finance and the China Securities Regulatory Commission, the board of directors of the Company makes a proposal for a share option incentive scheme, with the exercise price of the first grant of share options being not less than RMB6.64 per A share, being the closing price of the A Shares on 30 May 2013 (such minimum exercise price will be subject to adjustment due to matters for exclusion of rights and dividends prior to the announcement of the proposal for the share option incentive scheme).

## 10. DOCUMENTS FOR INSPECTION

The following documents will be available for inspection at the legal address of the Company from 30 August 2013 (Friday) 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 2013 signed by the Chairman and General Manager of the Company;
  2. The financial report of the Company for the six months ended 30 June 2013 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 IFRS, the Chinese version will prevail.