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 2014

IMPORTANT NOTE

1. 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.

2. The 2014 Interim Report has been approved at the sixteenth meeting of the seventh session of the Board. All Directors attended the meeting.

3. The interim financial statements of the Company for the six months ended 30 June 2014, which have been prepared in accordance with the PRC Accounting Standards for Business Enterprises ("ASBE") have been audited by PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) and the auditor has issued unqualified opinions on the financial statements. The financial report prepared under International Financial Reporting Standards ("IFRS") is unaudited.

4. Mr. Lu Li-yong, Chairman and General Manager; Mr. Li Jian-ping, Director and Chief Financial Officer; and Mr. Cao Lai-yu, Vice Director of the Asset and Accounting Department of the Company, hereby warranted the authenticity and completeness of the interim financial statements contained in the Interim Report.

5. According to the Articles of Association of the Company, the Board resolved that no interim dividend was paid for the year ended 31 December 2014, and no issue of bonus shares by way of capitalization of common reserves.

6. The statements regarding the Company's plans for future development and operation are forward-looking statements and do not constitute any commitments to investors. The Company has alerted investors on the relevant investment risks.

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

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

Contents

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 (中國石油化工股份有限公司), 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 Group"	CITIC Group Corporation (中國中信集團有限公司)
"CITIC Limited"	CITIC Limited, a substantial shareholder holding 17.25% of the Company's equity interest
"CPC"	China PetroChemical Corporation (中國石油化工集團公司), 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
"China CITIC Bank"	China CITIC Bank Corporation Limited (中信銀行股份有限公司), a subsidiary of CITIC Limited

"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
"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
"RMB"	Renminbi, the lawful currency of the PRC
"PRC/State"	The People's Republic of China

"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)

2. COMPANY PROFILE

1. Company Information

Legal Chinese Name of the Company:	中國石化儀征化纖股份有限公司
Abbreviation for Legal Chinese Name of the Company:	儀征化纖
Legal English Name of the Company:	Sinopec Yizheng Chemical Fibre Company Limited
Abbreviation for Legal English Name of the Company:	YCF
Legal Representative of the Company:	Mr. Lu Li-yong

2. Contact Persons and Contact Methods

	Company Secretary	Securities Affairs Representative
Name:	Mr. Tom C.Y. Wu	Mr. Shen Ze-hong
Address:	Company Secretary Office Sinopec Yizheng Chemical Fibre Company Limited Yizheng City, Jiangsu Province, the PRC	
Postal Code:	211900	
Tel:	86-514-83231888	
Fax:	86-514-83235880	
E-mail:	cso@ycfc.com	

3. Basic Information

Registered address:	Yizheng City, Jiangsu Province, the PRC
Postal code:	211900
Business address:	Yizheng City, Jiangsu Province, the PRC
Postal code:	211900
Internet website:	http://www.ycfc.com
E-mail address:	cso@ycfc.com
Query index for the change during the reporting period:	There was no change of the basic information of the Company during the reporting period

4. Information Disclosure and Place for Access to Information

Newspapers designated for publication of announcements of the Company:	"China Securities", "Shanghai Securities News" and "Securities Times"
Internet website designated by CSRC to publish the interim report:	http://www.sse.com.cn
Internet website designated by HKSE to disclosure information:	http://www.hkexnews.hk
Place where the interim report available for inspection:	Company Secretary Office Sinopec Yizheng Chemical Fibre Company Limited
Query index for the change during the reporting period:	There was no change of information disclosure and place for access to information of the Company during the reporting period

5. Shares Profile of the Company

Share Type	Place of listing of the shares	Stock abbreviation	Stock Code	Stock abbreviation before change
A Shares	Shanghai Stock Exchange	*ST Yihua	600871	Yizheng Chemical
H Shares	Hong Kong Stock Exchange	Yizheng Chemical	1033	–

6. Company Registered Change during the reporting period

Date of change of the Company's registration:	15 April 2014 (Change of registered capital)
Registered address of the Company:	Yizheng City, Jiangsu Province, the PRC
Enterprises Legal Business Licence Registration No.:	320000400000997
Taxation Registration No.:	321081625908297
Organization No.:	62590829-7
Query index for the change of registration during the reporting period	Internet website of Jiangsu Administration for Industry & Commerce

7. Other relevant information:

Date of the Company's initial registration:	December 31, 1993
Initial registered address of the Company:	Yizheng City, Jiangsu Province, the PRC

Names and Addresses of Auditors of the Company:

Name of Domestic Auditors:	PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership)
Address:	11th Floor, PricewaterhouseCoopers 2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai, the PRC
Signing accountants:	Wang Chao, Liu Yi
Name of Overseas Auditors:	PricewaterhouseCoopers
Address:	22nd, Prince's Building, Central, Hong Kong

Legal advisor:

As to Hong Kong law:	Woo, Kwan, Lee & Lo
Address:	26/F, Jardine House, 1 Connaught Place Central, Hong Kong
As to the PRC law:	Haiwen & Partners
Address:	20/F, Fortune Financial Center, 5 Dong San Huan Central Road, Chaoyang District, Beijing

Share registrars and transfer office:

"H" Share:	Hong Kong Registrars Limited
Address:	Rooms 1712–1716, 17th Floor, Hopewell Centre 183 Queen's Roads East, Hong Kong
"A" Share:	China Securities Registration and Clearing Corporation Limited Shanghai Branch
Address:	36th Floor, China Insurance Building, 166 Lujiazui Eastern Road, Pudong New District, Shanghai

3. FINANCIAL DATA AND FINANCIAL INDICATORS

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

	As at 30 June 2014 RMB'000	As at 31 December 2013 RMB'000	Increase/ (decrease) from last year (%)
Total assets	**8,839,788**	10,629,304	(16.8)
Total equity attributable to equity shareholders of the Company	**5,314,678**	7,063,464	(24.8)
Net assets per share attributable to equity shareholders of the Company	**RMB0.886**	RMB1.177	(24.8)

	For the six months ended 30 June 2014 RMB'000	For the six months ended 30 June 2013 RMB'000	Increase/ decrease) from corresponding period of last year (%)
(Loss)/profit attributable to equity shareholders of the Company	**(1,748,786)**	(488,915)	Not applicable
Net cash used in operating activities	**(294,082)**	(746,044)	Not applicable
Basic and diluted(loss)/earnings per share	**RMB(0.291)**	RMB(0.081)	Not applicable
Return on net assets	**(28.26%)**	(5.91%)	Decreased by 22.35 percentage points
Net cash used in operating activities per share	**RMB(0.049)**	RMB(0.124)	Not applicable

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

(1) Key financial data

	As at 30 June 2014 RMB'000	As at 31 December 2013 RMB'000	Increase/ (decrease) from last year (%)
Operating income	**7,924,423**	8,717,991	-9.1
Operating profit ("-" for losses)	**-1,667,853**	-579,338	Not applicable
Profit before income tax ("-" for losses)	**-1,676,496**	-595,561	Not applicable
Net profit attributable to equity shareholders of the Company ("-" for losses)	**-1,750,279**	-491,445	Not applicable
Net profit deducted extraordinary gain and loss attributable to equity shareholders of the Company ("-" for losses)	**-1,741,636**	-479,278	Not applicable
Net cash inflow from operating activities ("-" for outflow)	**-257,014**	-725,167	Not applicable

	For the six months ended 30 June 2014 RMB'000	For the six months ended 30 June 2013 RMB'000	Increase/ decrease) from corresponding period of last year (%)
Total assets	**8,839,788**	10,629,304	-16.8
Total liabilities	**5,346,286**	7,096,488	-24.7
Total equity attributable to equity shareholders of the Company	**RMB0.891**	RMB1.183	-24.7

(2) Key financial indicators

	For the six months ended 30 June 2014	For the six months ended 30 June 2013	Increase/ decrease) from corresponding period of last year
Basic earnings per share (RMB) ("-" for losses)	**-0.292**	-0.081	Not applicable
Diluted earnings per share (RMB) ("-" for losses)	**-0.292**	-0.081	Not applicable
Basic earnings per share net of extraordinary gain and loss (RMB) ("-" for losses)	**-0.290**	-0.080	Not applicable
Weighted average return on net assets	**-28.13%**	-5.92%	Decreased by 22.21 percentage points
Weighted average return on net assets net of extraordinary gain and loss	**-27.99%**	-5.77%	Decreased by 22.22 percentage points
Net cash inflow from operating activities per share (RMB) ("-" for outflow)	**-0.043**	-0.121	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)

Extraordinary gain and loss items	**Amount** (RMB'000)
Disposal of non-current assets	-4,431
Government grants recognized in profit or loss during the current period	897
Other non-operating income and expenses excluding the aforesaid items	-5,109
Effect of income tax	–
Total	-8,643

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 ("-" for losses)		Total equity attributable to equity shareholders of the Company	
	For the six months ended 30 June 2014 RMB'000	For the six months ended 30 June 2013 RMB'000	**As at 30 June 2014 RMB'000**	As at 1 January 2014 RMB'000
PRC ASBE	**-1,750,279**	-491,445	**5,346,286**	7,096,488
Adjustment of items and amount in accordance with the IFRS:				
Government grants *(a)*	**1,416**	1,415	**-31,608**	-33,024
Specific reserve *(b)*	**77**	1,115	**–**	–
IFRS	**-1,748,786**	-488,915	**5,314,678**	7,063,464

Description of adjustment of the items and amount:

(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.

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. Changes in Shares with Selling Restrictions

Unit of shares: 1,000 Shares

Name of shareholders	Number of shares with selling restrictions at the beginning of the year	Number of shares with selling restrictions expired in the year	Change in number of shares with selling restrictions in the year	Number of shares with selling restrictions at the end of the year	Reasons for selling restrictions	Date when selling restrictions expired
Sinopec	2,415,000	0	0	2,415,000	The original non-circulating shareholder made the commitment of limited sale in the Company's share reform program.	The shares are not to be traded or transferred within twelve months from 20 August 2013. From 20 August 2014, the previous non-circulating shares are to be sold by listed trading through the Stock Exchange, herein the number of shares for selling shall not be more than five percent within twelve months and not be more than ten percent within twenty-four months from that date.
CITIC Limited	1,035,000	0	0	1,035,000	The original non-circulating shareholder made the commitment of limited sale in the Company's share reform program.	
Total	3,450,000	0	0	3,450,000		

3. Shareholdings of major shareholders

(1) Number of shareholders

The number of shareholders of the Company as at 30 June 2014 was 36,740, including 36,234 holders of A shares and 506 registered holders of H shares. The minimum public float of the Company has met the requirements of the Listing Rules of HKSE.

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

Shareholdings of the top ten shareholders

Names of shareholders	Nature of shareholders	Number of shares held (shares)	Percentage to total share capital (%)	Number of shares with selling restrictions (shares)	Number of shares pledged or frozen
Sinopec	State-owned legal person	2,415,000,000	40.25	2,415,000,000	0
HKSCC (Nominees) Limited*	Overseas legal person	2,079,401,507	34.66	0	0
CITIC Limited	State-owned legal person	1,035,000,000	17.25	1,035,000,000	0
Zheng Lei	Domestic natural person	5,790,407	0.097	0	Unknown
Meng Wei-jun	Domestic natural person	5,221,055	0.087	0	Unknown
Lin You-ming	Domestic natural person	4,294,375	0.072	0	Unknown
Wang Xin-hua	Domestic natural person	4,218,100	0.070	0	Unknown
Liu Yao-guang	Domestic natural person	4,029,894	0.067	0	Unknown
Chen She-xia	Domestic natural person	3,200,950	0.053	0	Unknown
Meng Jun	Domestic natural person	3,105,260	0.052	0	Unknown

Shareholdings of top ten shareholders of shares without selling restrictions

Names of shareholders	Number of shares without selling restrictions held at the end of the reporting period (shares)	Types of shares
HKSCC (Nominees) Limited*	2,079,401,507	H Shares
Zheng Lei	5,790,407	A Shares
Meng Wei-jun	5,221,055	A Shares
Lin You-ming	4,294,375	A Shares
Wang Xin-hua	4,218,100	A Shares
Liu Yao-guang	4,029,894	A Shares
Chen She-xia	3,200,950	A Shares
Meng Jun	3,105,260	A Shares
IP KOW	2,850,000	H Shares
Lin Tao	2,733,000	A Shares

Statement on the connected relationship or activities in concert among the above-mentioned shareholders.	The Company is not aware that there is any connected relationship or activities in concert among the above-mentioned shareholders.

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

(3) Number of shares held by the top ten holders of shares with selling restrictions and conditions for sale

Unit: 1,000 Share

Names of shareholders with selling restrictions	Number of shares with selling restrictions	Date when the shares could be traded through listing	Number of additional shares could be traded through listing	Selling restriction
Sinopec	2,415,000	August 20, 2014*	300,000	1 year
	2,115,000	August 20, 2015	300,000	2 years
	1,815,000	August 22, 2016	1,815,000	3 years
CITIC Limited	1,035,000	August 20, 2014*	300,000	1 year
	735,000	August 20, 2015	300,000	2 years
	435,000	August 22, 2016	435,000	3 years
Statement on the connected relationship or activities in concert among the above-mentioned shareholders.		There is no connected relationship or activities in concert among the above-mentioned shareholders.		

*Note: * As at the disclosure date of this interim report, the Company has not yet transacted the release formalities of shares with selling restrictions.*

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

So far as the Directors are aware, as at June 30, 2014, the persons other than a Director, Supervisor or senior management of the Company who had interests or short positions in the shares or underlying shares of the Company which are discloseable under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO") were as follows:

Names of shareholder	Number of share held (shares)	Per cent of shareholding in the Company's total issued share capital (%)	Per cent of shareholding in the Company's total issued domestic shares (%)	Per cent of shareholding in the Company's total issued H shares (%)	Short position (shares)
Sinopec*	2,415,000,000	40.25	61.92	Not applicable	–
CITIC Limited	1,035,000,000	17.25	26.54	Not applicable	–

* *As at 30 June 2014, CPC holds 73.39% of the equity interest in Sinopec.*

As at June 30, 2014, so far as the Directors are aware, save as disclosed above, no person (other than a Director, Supervisor or senior management of the Company) had an interest or short position in the shares of the Company according to the register of interests in shares and short positions kept by the Company pursuant to Section 336 of the SFO.

4. 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.

5. 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. Current Directors', Supervisors' and Senior Management's interests in shares and for whom has left the post as a Director, Supervisor and Senior during the reporting period.

The actual number of shares in the issued share capital of the Company held by the Directors, Supervisors and Senior Management as at the end of the Reporting Period are as follows:

Name	Title	Number of "A" shares held at the beginning of the reporting period	Number of "A" shares held at the end of the reporting period	Stock Option of the Company held	Reason for change
Lu Li-yong	Chairman, General Manager	0	0	Nil	No Change
Sun Zhi-hong	Vice Chairwoman	0	0	Nil	No Change
Shen Xi-jun	Vice Chairman, Deputy 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	No Change
Li Jian-ping	Director, Chief Financial Officer	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
Tom C. Y. Wu	Secretary to the Board	0	0	Nil	No Change
Xiao Wei-zhen	Former Vice Chairman and General Manager	0	0	Nil	No Change

Directors' and Supervisors' rights to acquire shares and debentures and short position

At 30 June, 2014, none of the Directors or Supervisors of the Company had any interest and short positions in any shares, underlying shares or debentures of the Company or any associated corporations within the meaning of Part XV of the SFO required to be recorded in the register mentioned under Section 352 of the SFO or as otherwise notifiable to the Company and the Hong Kong Stock Exchange by the Directors and Supervisors pursuant to the Model Code as contained in Appendix 10 to the Listing Rules.

2. Changes in Directors, Supervisors and Senior Management

Name	Position currently held	Change	Reason
Lu Li-yong	Chairman and General Manager	Newly appointed as General Manager	Appointed by the Board
Shen Xi-jun	Vice Chairman and Deputy General Manager	Elected as Vice Chairman	Elected by the Board
Li Jian-ping	Director and Chief Financial Officer	Elected as Director	Elected by the general meeting of the Company
Xiao Wei-zhen	–	Retired as Vice Chairman and General Manager	Retirement

Because Mr. Xiao Wei-zhen has reached his retirement age, the Board of the Company approved that Mr. Xiao Wei-zhen be resigned from his positions as Vice Chairman, Director, member of the Strategy and Investment Committee of the Board and General Manager of the Company at the fourteenth meeting of the seventh session of the Board held on 3 April 2014, with effect from 3 April 2014. The Board approved the appointment of Mr. Lu Li-yong as General Manager of the Company and Mr. Shen Xi-jun as Vice Chairman of the Board of the Company at the fourteenth meeting of the seventh session of the Board.

The Board highly appraises Mr. Xiao for his diligent and dedicated work for many years, and expresses its sincere gratitude to Mr. Xiao for his important contributions to the Company during his term of office.

Mr. Li Jian-ping was elected as Director of the seventh session of the Board of the Company at the 2013 Annual General Meeting held on 18 June 2014.

3. Independent Director and Audit Committee

As at 30 June 2014, 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. REPORT OF THE BOARD OF DIRECTORS

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

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

Interim results

In the first half of 2014, facing the difficult market environment and operation condition, the Company continued to optimize production and operation, strengthened fine management, highlighted the technological innovation and marketing, reduced cost and expenditures to propel effective development, and endeavored to reduce the losses and improve efficiency. For the six months ended 30 June 2014, the Company's turnover amounted to RMB7,924,423,000, decreased by 9.1 per cent compared with RMB8,717,991,000 for the corresponding period of last year. Subject to the influences of sustained weak chemical fibre market, in-depth adjustment of polyester market, and that the Company has recognized the provisions for impairment of fixed assets and intangible assets that are indicated to be impaired as at 30 June 2014 and also accelerated amortisation for related long-term prepaid expenses, with total amount adding up to RMB1,160,027,000, the loss attributable to equity shareholders of the Company was RMB1,748,786,000 and basic loss per share was RMB0.291, while the loss attributable to equity shareholders of the Company was RMB488,915,000 and basic loss per share was RMB 0.081 in the first half of 2013.

Market review

In the first half of 2014, affected by factors such as slowly recovering global economy, weak export and transition of economic structure in China, the domestic market demand for chemical and chemical fibres continued to remain weak, and the domestic polyester industry was in a situation of in-depth adjustment. Meanwhile, with the domestic polyester production capacity continued to increase, the contradiction between the supply and demand of polyester industry became more prominent, bringing about increasingly intense market competition.

In the first half of 2014, the domestic polyester production capacity had maintained rapid growth, in which the newly-added polyester production capacity was about 2,850,000 tonnes, and the total domestic polyester production capacity amounted to 45.07 million tonnes by end of this June, further aggravating the current situation of domestic polyester overcapacity. In the first half of 2014, the production volume of polyester products kept a rising momentum, yet the operating rate of the polyester industry continued to decrease, the domestic polyester fiber production volume increased by 8.8 per cent compared with the corresponding period of the last year. As a result, total domestic supply volume of polyester fibre amounted to 18,528,600 tonnes, an increase of 12.9 per cent compared with the corresponding period of last year. Meanwhile, subject to the influences of rigid demand for polyester products domestically and the increasing gross volume of polyester export, total domestic consumption volume of polyester fibre was 16,093,100 tonnes, an increase of 9.1 per cent compared with the corresponding period of 2013.

Domestic supply and demand of polyester fibre

	Polyester filament			Polyester staple fibre			Polyester fibre		
	First half of 2014 '000 tonnes	First half of 2013 '000 tonnes	+/-(%)	**First half of 2014 '000 tonnes**	First half of 2013 '000 tonnes	+/-(%)	**First half of 2014 '000 tonnes**	First half of 2013 '000 tonnes	+/-(%)
Production volume	**12,434.0**	11,078.8	12.2	**4,669.0**	4,635.8	0.7	**17,103.0**	15,714.6	8.8
Import volume	**52.3**	59.6	(12.3)	**65.3**	57.9	12.8	**117.6**	117.5	0.1
Export volume	**785.5**	592.8	32.5	**430.0**	329.6	30.5	**1,215.5**	922.4	31.8
Net import	**(733.2)**	(533.2)	37.5	**(364.7)**	(271.7)	34.2	**(1,097.9)**	(804.9)	36.4
Inventories at the beginning of the period	**902**	353.0	155.5	**406.0**	225.0	80.4	**1,308.0**	578.0	126.3
Inventories at the end of the period	**850**	423.0	101.0	**370.0**	320.0	15.6	**1,220.0**	743.0	64.2
Total supply volume	**13,388.3**	11,491.4	16.5	**5,140.3**	4,918.7	4.5	**18,528.6**	16,410.1	12.9
Total consumption volume	**11,752.8**	10,475.6	12.2	**4,340.3**	4,269.1	1.7	**16,093.1**	14,744.7	9.1

Source: The Chemical Fibre Association of China

Production and marketing

In the first half of 2014, the Company's production facilities continued to maintain safe and stable operation. To accelerate the pace of product structure adjustment, the Company had shut down all polyester filament yarn production facilities by end of April of 2014, causing a decrease in the production volume of polyester products as compared with the corresponding period of last year. In the first half of 2014, total production volume of polyester products was 1,194,683 tonnes, a decrease of 0.3 per cent compared with 1,198,717 tonnes for the corresponding period of 2013. The utilisation rate of polyester polymerization capacity reached 85.7 per cent. Due to the overhaul of PTA production lines, total production volume of PTA amounted to 480,287 tonnes, a decrease of 11.9 per cent compared with 545,054 tonnes for the corresponding period of last year. In the first half of 2014, the Company had actively responded to the market changes and endeavored to expand the sales and improve efficiency through a series of measures including shut-down of part of the production lines by operation planning, adjustment of production load, quality improvement and new product development. The Company's total sales volume of polyester products reached 967,152 tonnes, an increase of 5.3 per cent compared with 918,620 tonnes in the corresponding period of 2013. The Company's export volume of polyester products amounted to 27,947 tonnes, a decrease of 17.1 per cent compared with 33,699 tonnes for the corresponding period of 2013. Excluding the self-consumption volume and other factors, the ratio of sales to production reached 100.3 per cent.

New product development and technological innovation

In the first half of 2014, the Company further optimized its product structure. Meanwhile, responding to the market changes, the Company adjusted its production load and product structure in a prompt way and endeavored to produce and sell differentiated products with higher profit. 12 new product development projects and 13 new product industrialization projects were completed. In the first half of 2014, 17 patent applications were filed and 8 patent rights were granted. The high performance PE fibre series products were developed, with key quality indices reaching international advanced level. Through continued technical research, technology optimization, production facility renovation and market exploration, the production of para-aramid fibre was stabilizing and the product quality and production volume were gradually improving. In the first half of 2014, the Company's total production volume of specialized polyester chips amounted to 655,077 tonnes and the specialized rate was 94.4 per cent, 2.0 percentage points higher than that of the corresponding period of 2013. The total production volume of differentiated polyester fibre amounted to 303,343 tonnes and the differentiated rate of polyester fibre was 80.1 per cent, 4.3 percentage points lower than that of the corresponding period of 2013.

Internal management

In the first half of 2014, the Company strengthened strict management, diagnosed, rationalized and corrected the existing problems in a comprehensive way, built solid foundations for corporate governance and accelerated the overall enhancement of management level; strictly implemented the safety and environmental protection responsibilities, reinforced its efforts in safety inspection and assessment and continued to maintain a positive trend for safety and environmental protection; continued to reduce the consumption of materials and energy by further strengthening energy conservation and emission reduction, with the comprehensive energy consumption of main products decreasing by 3.2 per cent compared with the corresponding period of 2013. Various cost reduction and expenditure control measures were remarkably fulfilled by vigorously reducing cost and improving efficiency and strictly implementing overall target cost management.

Production volume

	For the six months ended 30 June			
	2014		2013	
	Production volume (tonnes)	**Percentage of total production volume (%)**	Production volume (tonnes)	Percentage of total production volume (%)
Polyester products				
Polyester chips	**602,572**	**50.4**	591,043	49.3
Bottle-grade polyester chips	**211,241**	**17.7**	212,634	17.8
Staple fibre	**327,546**	**27.4**	303,682	25.3
Hollow fibre	**29,285**	**2.5**	32,617	2.7
Filament	**24,039**	**2.0**	58,741	4.9
Total	**1,194,683**	**100.0**	1,198,717	100.0

Sales volume

	For the six months ended 30 June			
	2014		2013	
	Sales volume (tonnes)	**Percentage of total sales volume (%)**	Sales volume (tonnes)	Percentage of total sales volume (%)
Polyester products				
Polyester chips	**376,600**	**38.9**	354,328	38.6
Bottle-grade polyester chips	**210,320**	**21.8**	206,889	22.5
Staple fibre	**332,784**	**34.4**	289,870	31.6
Hollow fibre	**30,435**	**3.1**	28,062	3.0
Filament	**17,013**	**1.8**	39,471	4.3
Total	**967,152**	**100.0**	918,620	100.0

Average prices for products (RMB/tonne, excluding VAT)

	For the six months ended 30 June		
	2014	2013	Change (%)
Polyester products			
Polyester chips	**7,416**	8,656	-14.3
Bottle-grade polyester chips	**7,707**	9,060	-14.9
Staple fibre	**8,314**	9,436	-11.9
Hollow fibre	**10,035**	10,795	-7.0
Filament	**9,280**	9,896	-6.2
Weighted average price	**7,904**	9,112	-13.3

Turnover

	For the six months ended 30 June			
	2014		2013	
	Turnover RMB'000	Percentage of turnover (%)	Turnover RMB'000	Percentage of turnover (%)
Polyester products				
Polyester chips	2,792,869	35.2	3,066,941	35.2
Bottle-grade polyester chips	1,620,962	20.5	1,874,412	21.5
Staple fibre	2,766,812	34.9	2,735,158	31.4
Hollow fibre	305,418	3.9	302,928	3.5
Filament	157,873	2.0	390,597	4.4
Others	280,489	3.5	347,955	4.0
Total	7,924,423	100.0	8,717,991	100.0

In the first half of 2014, the Company's turnover was RMB7,924,423,000, representing a 9.1 per cent decrease compared with the corresponding period of last year. This was mainly due to the substantial decrease in the weighted average prices of the Company's polyester products. The weighted average prices (excluding VAT) of the Company's polyester products decreased to RMB7,904 per tonne in the first half of 2014 from RMB9,112 per tonne in the corresponding period of 2013, representing a decrease of 13.3 per cent.

Cost of sales

In the first half of 2014, the Company's cost of sales was RMB8,176,055,000, accounting for 103.2 per cent of the turnover, a decrease of RMB773,293,000 compared with RMB8,949,348,000 for the corresponding period of 2013. The decrease in the cost of sales was mainly due to the decrease in the cost of raw materials. Total costs of raw materials amounted to RMB7,203,957,000, accounting for 88.1 per cent of the cost of sales, a decrease of 7.8 per cent compared with RMB7,809,335,000 in the corresponding period of 2013. The decrease was mainly due to the decrease in raw material purchasing prices. In the first half of 2014, the weighted average price of external purchased polyester raw materials decreased by 16.1 per cent compared with the corresponding period of 2013, of which, the average purchasing cost of PX, PTA and MEG decreased by 17.9 per cent, 18.5 per cent and 10.5 per cent, respectively, compared with the corresponding period of 2013.

In the first half of 2014, affected by a 9.1 per cent decrease in the turnover and a 8.6 per cent decrease in the cost of sales, the Company suffered a gross loss of RMB251,632,000, while the gross loss for the corresponding period of 2013 was RMB231,357,000.

Selling expenses, administrative expenses and net financial income

	For the six months ended 30 June		
	2014	2013	Change
	RMB'000	RMB'000	(%)
Selling expenses	**120,321**	109,521	9.9
Administrative expenses	**1,289,826**	236,329	445.8
Financial expenses/ (net income)	**8,024**	(1,943)	Not applicable
Total	**1,418,171**	343,907	312.4

In the first half of 2014, due to the increase in freight resulting from the rising in the sales volume, the Company's selling expenses increased by 9.9 per cent from that of the first half of 2013. Due to that the Company has recognized the provisions for impairment of fixed assets and intangible assets that are indicated to be impaired as at 30 June 2014, the Company's administrative expenses increased by 445.8 per cent from that of the first half of 2013. Due to the increase in interest exchange, the finance expenses was RMB8,024,000, while the net finance income in the first half of 2013 was RMB1,943,000. The total increase in selling expenses, administrative expenses and net finance income was 312.4 per cent from that of the first half of 2013.

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

	For the six months ended 30 June		
	2014	2013	Change
	RMB'000	RMB'000	(%)
Operating (loss)/profit	**(1,669,005)**	(592,015)	Not applicable
(Loss)/profit before taxation	**(1,675,003)**	(593,031)	Not applicable
Income tax expense/(credit)	**73,783**	(104,116)	Not applicable
(Loss)/profit attributable to equity shareholders of the Company	**(1,748,786)**	(488,915)	Not applicable
Basic (loss)/earnings per share (in RMB)	**(0.291)**	(0.081)	Not applicable

In the first half of 2014, despite that the Company has strengthened fine management in a stricter way, made all-out efforts to organize production and operation, endeavored to further reduce costs and expenses, and optimized the product structure, due to factors such as sluggish polyester market demand, overcapacity of polyester products, and that the Company has recognized the provisions for impairment of fixed assets and intangible assets that are indicated to be impaired as at 30 June 2014 and also accelerated amortisation for related long-term prepaid expenses, the Company's loss before taxation and loss attributable to equity shareholders of the Company was RMB1,675,003,000 and RMB1,748,786,000, respectively, while the Company's loss before taxation and loss attributable to equity shareholders of the Company for the first half of 2013 was RMB593,031,000 and RMB488,915,000.

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.

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

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000	Variance RMB'000
Total assets	**8,839,788**	10,629,304	(1,789,516)
Current assets	**3,968,571**	4,320,215	(351,644)
Non-current assets	**4,871,217**	6,309,089	(1,437,872)
Total liabilities	**3,525,110**	3,565,840	(40,730)
Current liabilities	**3,465,089**	3,504,507	(39,418)
Non-Current liabilities	**60,021**	61,333	(1,312)
Total equity attributable to equity shareholders of the Company	**5,314,678**	7,063,464	(1,748,786)

As at 30 June 2014, the Company's total assets were RMB8,839,788,000, total liabilities were RMB3,525,110,000, and total equity attributable to equity shareholders of the Company was RMB5,314,678,000. Compared with the assets and liabilities as at 31 December 2013 (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 RMB8,839,788,000, representing a decrease of RMB1,789,516,000 compared with the end of last year, of which: Current assets were RMB3,968,571,000, representing a decrease of RMB351,644,000 compared with the end of last year. The decrease was mainly due to the decrease in trade and other receivables by RMB320,315,000 owing to the decline in turnover in the first half of 2014. Non-current assets were RMB4,871,217,000, representing a decrease of RMB1,437,872,000 compared with the end of last year, which was mainly affected by the decrease of RMB1,256,518,000 in that the Company has recognized the provisions for impairment of fixed assets and intangible assets that are indicated to be impaired as at 30 June 2014 and also the normal depreciation of properties, plants and equipments.

Total liabilities were RMB3,525,110,000, a decrease of RMB40,730,000 compared with the end of last year, of which: Current liabilities were RMB3,465,089,000, representing a decrease of RMB39,418,000 compared with the end of last year. The decrease was mainly due to the decrease in trade and other payables by RMB301,511,000 and the increase in short-term borrowings by RMB262,093,000 during the current period. Non-current liabilities were RMB60,021,000, a decrease of RMB1,312,000 compared with the end of last year.

Total equity attributable to equity shareholders of the Company was RMB5,314,678,000, a decrease of RMB1,748,786,000 compared with the end of last year, mainly due to the loss attributable to equity shareholders of the Company amounting to RMB1,748,786,000 in the first half of 2014.

As at 30 June 2014, total liabilities to total assets ratio was 39.9 per cent, whereas 33.5 per cent as at 31 December 2013.

2. *Cash flow analysis*

The following table lists major items in the cash flow statement of the Company for the first half of 2014 and 2013.

Major items in cash flow statement	For the six months ended 30 June **2014** **RMB'000**	2013 RMB'000
Net cash used in operating activities	**(294,082)**	(746,044)
Net cash generated from/(used in) investing activities	**12,297**	(139,608)
Net cash generated from financing activities	**260,323**	762,596
Net decrease in cash and cash equivalents	**(21,462)**	(123,056)
Exchange losses/(gains)	**(1,340)**	1,678
Cash and cash equivalents at the beginning of the period	**85,797**	162,027
Cash and cash equivalents at the end of the period	**62,995**	40,649

In the first half of 2014, the Company's net cash outflow from operating activities was RMB294,082,000, representing a decrease of cash outflow by RMB451,962,000 compared with the corresponding period of 2013. The decrease in the cash outflow from operating activities was mainly due to the decrease in raw material cost of the Company in the first half of 2014.

In the first half of 2014, the Company's net cash inflow from investing activities was RMB12,297,000, a decrease of cash outflow by RMB151,905,000 compared with the corresponding period of 2013. The change in the first half of 2014 was mainly due to the decrease in cash paid for buying fixed assets and intangible assets compared with the corresponding period of last year.

In the first half of 2014, the Company's net cash inflow from financing activities was RMB260,323,000, a decrease of cash inflow by RMB502,273,000 compared with the corresponding period of 2013. The change in the first half of 2014 was mainly due to the substantial increase in cash paid for maturity borrowings compared with the corresponding period of last year.

3. *Bank borrowings*

As at 30 June 2014, the Company's bank borrowings were RMB1,865,000,000 (as at 31 December 2013: RMB1,602,907,000). These borrowings will be due within one year and were fixed-rate loans. Of the total short-term borrowings of the Company as at June 30 2014, all were denominated in Renminbi.

4. *Gearing ratio*

The gearing ratio of the Company was 26.0 per cent for the first half of 2014 (as at 31 December 2013: 18.5 per cent). The ratio is computed as interest-bearing debts divided by the sum of interest-bearing debts and shareholders' equity.

5. *Assets charges*

As at 30 June 2014, there was not any charge in the Company's assets.

6. *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.

Capital expenditure

In the first half of 2014, the Company's total capital expenditure was RMB170,985,000. To maximise its return on investment, the Company strengthened investment management in accordance with the prudence principle. The renovation project of super cotton-like staple fibre production lines with an annual capacity of 60,000 tonnes has been successfully put into production in June of 2014 and had yielded qualified products. The denitration and dust removal retrofit project of Thermoelectric Production Center was progressing smoothly, aiming to realize up-to-standard emission of boiler flue gas by end of August of 2014. The optimization and renovation of 1,4-butanediol project with an annual capacity of 100,000 tonnes has been in the progress, yet it is decided by the Company that the start-up of the project be postponed due to the sharply deteriorating market of 1,4-butanediol products. The Company will optimize the operation of the project and adjust the structure of raw materials and products so as to yield its economic benefits in the earliest possible time.

Market prospects and operation arrangements in the second half of 2014

In the second half of 2014, the domestic polyester industry is still facing difficult operating situation. With the world economy continuing to maintain a slowly recovering trend, and China's economic is sustaining the slowdown situation, the conditions of slow growth of polyester market demand and the intensifying market competition can hardly be improved in an effect way. Meanwhile, the overcapacity of polyester industry continues and the polyester industry is still in the trough. Facing the severe business environment, the Company will focus on improving economic benefits, deepen its reform, strengthen its fine management, accelerate its focus of work shifting to technological innovation and marketing, vigorously reduce cost and expenditures to propel transition and development and make efforts to achieve the annual production and operation targets. In the second half of 2014, the Company will focus on the following priorities:

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

   The Company will further implement the requirement of strict management, meticulously organize the production, strengthen the management and control over the whole process of production process, facilities, inspection and operation to maintain safe and stable operation in the long period; 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 2014, the Company's projected production volume of polyester products is 1,193,000 tonnes, and the projected 2014 annual production volume of polyester products is 2,388,000 tonnes, 0.9 per cent lower than the production volume in 2013. The Company's projected production volume of PTA for the second half of 2014 is 552,000 tonnes. The projected 2014 annual production volume of PTA is 1,032,000 tonnes, 2.4 per cent lower than that of 2013.

2. *Pay close attention to the market change, balance and optimize the linking-up of 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 manufactured 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 2014, the Company's projected sales volume of polyester products is 989,000 tonnes. The 2014 annual projected sales volume of polyester products is 1,956,000 tonnes, an increase of 1.9 per cent from that of 2013. The ratio of sales to production is expected to reach 100 per cent in the second half of 2014.

3. *Optimize product structure and improve benefit contribution of differentiated products*
   The Company will adhere to the differentiation strategies for high added value and benefits to achieve upgrading of products and adjustment of product structure and strive to enhance the benefit contribution of differentiated products, with the goal of meeting the market demand and improving product competitiveness; make effort in process optimization and quality improvement for large-scale production of super cotton-like staple fibre and strengthen the marketing promotion. In the second half of 2014,the Company's projected production volume of specialized polyester chips and differentiated fibre products is 596,000 tonnes and 318,000 tonnes, respectively, while the specialized rates for polyester chip products and differentiated rates for polyester fibre are expected to be 91.8 per cent and 76.5 per cent.

4. *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 sales 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 rigorous enforcement of fine management to achieve the annual goals of energy conservation and consumption reduction.

5. *Place more emphases on developing quality and effectiveness, push forward transformation and upgrading of the company*
   The Company will push forward its sustainable and sound development by centering closely on enhancing development quality and effectiveness with combination of connotation and extension development along the road of differentiation development and for high added value. It will intensify market development and branding strategy so as to realize full sales of all products manufactured by the super cotton-like staple fibre production lines with an annual capacity of 60,000 tonnes, based on which further efforts will be made to expand the production capacity. The construction of second phase high performance PE fibre project with an annual capacity of 3,000 tonnes will be launched as quickly as possible with expectation of putting it into operation in the second half of 2015. As the polyester filament yarn business is withdrawing correspondingly, the Company will actively launch the renovation and construction of the low melting point staple fibre project with an annual capacity of 40,000 tonnes using its independent R&D technology.

2. Main business analysis of the Company (Financial figures, where applicable, contained herein have been extracted from the Company's audited interim financial report prepared in accordance with PRC ASBE.)

(1) Changes in the relevant items of financial statements

	For the six months ended 30 June 2014 RMB'000	For the six months ended 30 June 2013 RMB'000	Change (%)
Operating income	**7,924,423**	8,717,991	-9.1
Operating costs	**8,046,864**	8,812,475	-8.7
Selling and distribution expenses	**120,321**	109,521	9.9
General and administrative expenses	**391,805**	374,303	4.7
Net financial expense ("-" for income)	**8,024**	-1,943	Not applicable
Net cash inflow from operating activities ("-" for outflow)	**-257,014**	-725,167	Not applicable
Net cash inflow from investing activities ("-" for outflow)	**12,297**	-139,608	Not applicable
Net cash inflow from financing activities ("-" for outflow)	**223,255**	741,719	-69.9
Research and development expenditure	**13,870**	14,244	-2.6

Reasons for the changes:

(a) The change in financial expenses was mainly due to the increase in interest exchange during the reporting period.

(b) The change in the net cash outflow from operating activities was mainly due to the decrease in the cost of raw materials during the reporting period.

(c) The change in the net cash outflow from investing activities was mainly due to the decrease in cash paid for buying fixed assets and intangible assets during the reporting period.

(d) The change in the net cash inflow from financing activities was mainly due to the substantial increase in the cash paid for maturity borrowings during the reporting period.

(2) Explanation on the major changes in profit composition and source of profit

The change was mainly due to that the Company has recognized the provisions for impairment of fixed assets and intangible assets that are indicated to be impaired as at 30 June 2014 and also accelerated amortisation for related long-term prepaid expenses, which amounted to RMB1,160,027,000 in total. Due to the sharply deteriorating market of 1,4-butanediol products and the slumping sales price, the Company decided to shut down the 1,4-butanediol production facilities which were not anticipated to bring any economic benefits. For this reason, based on the impairment test, the Company has recognized the provisions for impairment of the assets for 1,4-butanediol production and also accelerated amortisation for related long-term prepaid expenses, amounting to RMB995,999,000 in total; meanwhile, the Company has recognized the provisions for impairment of the assets for polyester production, amounting to RMB164,028,000.

(3) Analysis of business operation by industries, products and regions

(a) *Statement of the operations by products*

Products	Operating income for the first half of 2014 RMB'000	Operating cost for the first half of 2014 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	2,792,869	2,830,689	-1.4	-8.9	-9.1	Increased by 0.2 percentage points
Bottle-grade polyester chips	1,620,962	1,600,938	1.2	-13.5	-13.1	Decreased by 0.5 percentage points
Staple and hollow fibre	3,072,230	3,001,772	2.3	1.1	-1.2	Increased by 2.3 percentage points
Filament	157,873	213,962	-35.5	-59.6	-54.1	Decreased by 16.1 percentage points

(b) *Operating income by regions*

Region	Operating income for the first half of 2014 RMB'000	Increase/ (decrease) from last year (%)
Mainland	7,493,751	-8.7
Hong Kong, Macau, Taiwan, and overseas	233,022	-26.9

3. Analysis of investments

(a) Securities investment

During the reporting period, no security investment items of the Company occurred.

(b) Holding equity shares of other listed companies

During the reporting period, the Company held no equity shares of other listed companies.

(c) Equities of financial institutions held by the Company

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.

(d) Holding equity shares of unlisted financial enterprises.

During the reporting period, the Company held no equity shares of unlisted financial enterprises.

(e) During the reporting period, no entrusted financing, entrusted loans, other investments and financing and derivatives investment items of the Company occurred.

(f) Fund raising and the usage

During the reporting period, no fund-raising activities happened and the condition of the funds raised in earlier years being used up does not exist.

(g) Information on the joint venture of the Company

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 profit RMB'000
Far Eastern Yihua	US$250 million	40	1,535,436	68,247	1,467,189	5,120

(h) Main project items of non-raised funds

The following table provided information on the Company's major construction projects and their returns in the first half of 2014.

Name of Main project	Amount invested in the first half of 2014 RMB'000	Progress of project	Project return (Actual production volume)
1,4-butanediol project with an annual capacity of 100,000 tonnes	112,967	Construction completed, not been put into production	–
Denitration and dust removal retrofit project of Thermoelectric Production Center	32,723	Under construction	–
Synthetic fiber processing application center project	3,490	Under construction	–
NCIC-YCFC hydrogen pipeline engineering project	173	Under construction	–
Others	21,632	–	–
Total	170,985	–	–

The Company's capital expenditure for the second half of 2014 is projected to be approximately RMB225,780,000. The amount will be invested in denitration and dust removal retrofit project of Thermoelectric Production Center, NCIC-YCFC ("SINOPEC Nanjing Industries Co., Ltd" and "the Company") hydrogen pipeline engineering project, the project of synthetic fiber processing application center, and the other projects on technical improvement and energy conservation. In the second half of 2014, in order to maximize its 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.

4. Profit allocation or capital accumulation fund turn add plans

(1) Implementation or adjustment of the profit distribution plan during the reporting period

Due to that the operational results of the Company has suffered a loss, the Board proposed that the profit distribution for 2013 be not carried out, as approved by 2013 AGM held on 18 June 2014. During the reporting period, no profit distribution plan was supposed to be implemented.

(2) Internal dividends for 2014 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 2014, and no issue of bonus shares by way of capitalization of common reserves.

5. Other matters of disclosure

(1) Warnings on potential fluctuation from the net profit to the loss for the period from the beginning of the year to the end of next reporting period or significant changes as compared with the same period of the preceding year

√ Applicable ☐ Not applicable

Due to insufficient polyester market demand, overcapacity of polyester industry, and drastic shrinkage in profit margins which can hardly be effectively improved in short period, as well as that the Company has incurred a significant loss in the first half of 2014, the operational results of the Company is estimated to suffer a loss for the period from January to September of 2014.

(2) Explanations by the Board and Supervisory Committee of the Company on Non-standard Auditing Report of the accounting firm

☐ Applicable √ Not applicable

By Order of the Board
Lu Li-yong
Chairman

22 August 2014, Nanjing

7. SIGNIFICANT EVENTS

1. 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.

2. Bankruptcy restructuring related matter

During the reporting period, there occurred no bankruptcy restructuring related matter.

3. Acquisition or disposals of assets, merger and acquisitions activities

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

4. Stock option incentive plan of the Company and its influence

During the reporting period, the Company has not yet implemented the stock option incentive plan.

5. Information on connected transactions

The Company's significant connected transactions for the year ended 30 June 2014 are as follows:

(a) The significant connected transactions relating to daily operation during the reporting period are as follows:

The nature of the transaction classification	Related parties	Amount of transaction RMB'000	Proportion of the same type of transaction (%)
Purchase of raw materials	Sinopec and its subsidiaries	6,557,316	91.2
Loans borrowed	Sinopec Finance	2,000,000	60.7
Repayment of loans	Sinopec Finance	1,900,000	74.1

In the opinion of the Company, that the above-mentioned connected transactions with related parties were necessary and continuously occurred, and that the agreements governing these transactions met the requirements of business operation of the Company and the market situation. Meanwhile, purchasing from Sinopec and its subsidiaries ensures steady and secured supply of raw materials, and borrowings from Sinopec Finance enables the Company to acquire necessary financial resources when in shortage of capital funds. Therefore, these connected transactions provided benefits to the Company. These transactions were negotiated at market prices and had no adverse effect on the Company's profit or independence.

5. Information on connected transactions (continued)

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

(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	–	–	–	700,000	100,000	800,000

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

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.

6. Material contracts and performance

(1) Trusteeship, sub-contracting and leasing items

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.

(2) Guarantee

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 2014, the occurrence amount of guarantee and the balance by the Company was nil.

6. Material contracts and performance (continued)

(3) Other material contracts

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

7. 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 2014:

Commitment Background	Acceptance	Commitments	Performance of commitments
Commitments regarding share reform	Sinopec, CITIC Limited	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 RMB 6.64 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)	Announcement on Progress of Implementation of the Undertakings by Share Option Incentive Scheme is published on "China Securities", "Shanghai Securities News", "Securities Times" and the website of HKSE on 18 Aug 2014.
	Sinopec	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.	During the reporting period, Sinopec did not breach any relevant undertaking

8. Engagement and disengagement of firm of accountants

The Company didn't change its firm of accountants during the reporting period.

As such, the thirteenth meeting of the seventh term Board of Directors of the Company has proposed to further appoint PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) and PricewaterhouseCoopers as the Company's domestic and international auditors for 2014, and further appoint PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) as the Company's auditor regarding internal control for 2014. Such proposal has been approved by the shareholders of the Company at the 2013 AGM.

9. 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.

10. 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.

11. Improvement of internal control system

It is responsibility of the Board and management to establish, improve and effectively implement the internal control system. In the first half of 2014, the Company constantly improved internal control and risk management, strengthened the management of and supervision over major risks, continued to rationalize and standardize the workflow and reinforce the executive forces of the workflow; well-organized internal control test so as to improve the effectiveness of the supervision over internal control. Solid progress has been made on the above works by the Company.

Pursuant to domestic and international regulatory requirements, the thirteenth meeting of the seventh term of the Board was held on 27 March 2014 to conduct self-assessment of the internal control system in respect of financial report of 2013 in accordance with the Fundamental Principles Governing Internal Control and Supporting Guidelines for Enterprises Internal Control. The board was of the opinion that there is no significant default in the internal control system as at 31 December 2013 and considered that the internal control system relating financial report was sound and effectively implemented. In the meeting, the Evaluation Report of Internal Control for 2013 has been reviewed and approved and was published on the website of SSE and HKSE.

Pursuant to the related regulatory requirements, the Company engaged PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) to audit internal control regarding financial report. PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) issued the unqualified audit opinions on 27 March 2014 and considered the Company maintained, in all material aspects, effective internal control regarding financial report on 31 December 2013.

The revision to the Internal Control System was reviewed and approved on the sixteenth meeting of the seventh term of the Board held on 22 August 2014 and has come into effect henceforth.

12. Compliance with the Corporate Governance Code

For the six months ended 30 June 2014, the Company has complied with all the code provisions of the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, except that:

Code provision A.2.1 provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Due to reason of age, Mr. Xiao Wei-zhen tendered his resignation and ceased to hold the positions of the Vice Chairman and General Manager of the Company with immediate effect on 3 April 2014. Since the Company has not yet identified the suitable candidate for the position of General Manger, the fourteenth meeting of the seventh session of the Board was held on 3 April 2014 for this reason, on which Mr. Lu Li-yong was appointed as the General Manager of the Company. The appointment of Mr. Lu Li-yong as General Manager of the Company takes effect from 3 April 2014

Code provision A.5.1 provides that listed issuers should establish a nomination committee. As at the end of reporting period, the Company has not set up a nomination committee. Nonetheless, the requirements for nomination of directors are set out in detail in the Articles of Association of the Company. Pursuant to the Articles of Association, 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 directorship 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. Directors of the Company shall be elected at general meeting of the Company for a term of office of not more than three years. Upon expiration of his term, each Director shall be entitled to be re-elected.

13. Compliance with the Mode 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.

14. Other significant events

(a) 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. Given that CPC is in the process of implementing a material asset reorganization in respect of the Company, after the consultation between Sinopec Asset Management and the Company, the abovementioned letter of intent for the proposed transfer of 50% equity interest in Yihua Toray and 40% equity interest in Yihua Bonar to the Company will be terminated.

(b) Given that the Company understands that CPC, its ultimate controller, is in the process of proposing a material transaction related with the Company and planning to implement a material asset reorganization in respect of the Company on 27 May 2014. For this purpose, the Company immediately issued an announcement of "Suspension of Trading in Relation to a Material Transaction", and the trading of shares of the Company has been suspended from 28 May 2014. Later, the Company issued an announcement of "Continuation of Suspension of Trading in Relation to Proposed Material Asset Reorganization" on 12 June 2014, "Announcement in Relation to Proposed Material Asset Reorganization and Delay in Resumption of Trading" on 14 July 2014 and 13 August 2014 in succession. During the period of continued suspension of trading in its shares, the Company will publish an "Announcement in Relation to Progress of Proposed Material Asset Reorganization" at an interval of five trading days.

8. FINANCIAL REPORT

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

Auditor's Report

PwC ZT Shen Zi (2014) No.10097
(Page 1 of 2)

To the Shareholders 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 2014, the income statement, the statement of changes in shareholders' equity and the cash flow statement 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.

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 2014, and its financial performance and cash flows for the six months period then ended in accordance with the requirements of Accounting Standards for Business Enterprises.

PricewaterhouseCoopers
Zhong Tian *LLP*

Shanghai, the People's Republic of China

22 August 2014

* *English Translation for Reference Only*

Balance Sheet

As at 30 June 2014

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

(English translation for reference only)

ASSETS	*Notes*	**30 June 2014**	31 December 2013
Current assets			
Cash at bank and on hand	*4(1)*	**62,995**	105,797
Notes receivable	*4(2)*	**2,155,563**	2,558,598
Accounts receivable	*4(3)*	**116,249**	140,540
Advances to suppliers	*4(5)*	**29,787**	28,358
Other receivables	*4(4)*	**163,015**	7,813
Inventories	*4(6)*	**1,332,117**	1,320,644
Other current assets	*4(7)*	**108,845**	158,465
Total current assets		**3,968,571**	4,320,215
Non-current assets			
Long-term equity investments	*4(8)*	**586,876**	584,850
Fixed assets	*4(9)*	**3,846,744**	3,963,871
Construction in progress	*4(10)*	**276,618**	1,279,939
Intangible assets	*4(11)*	**160,979**	271,143
Long-term prepaid expenses	*4(12)*	**–**	135,503
Deferred tax assets	*4(13)*	**–**	73,783
Total non-current assets		**4,871,217**	6,309,089
TOTAL ASSETS		**8,839,788**	10,629,304

Balance Sheet (continued)
As at 30 June 2014
(All amounts in RMB'000 Yuan unless otherwise stated)
(English translation for reference only)

LIABILITIES AND SHAREHOLDERS' EQUITY	*Notes*	30 June 2014	31 December 2013
Current liabilities			
Short-term borrowings	*4(15)*	**1,865,000**	1,602,907
Notes payable	*4(16)*	**300,000**	400,000
Accounts payable	*4(17)*	**760,762**	800,758
Advances from customers	*4(18)*	**262,944**	310,086
Employee benefits payable	*4(19)*	**36,906**	2,246
Taxes payable	*4(20)*	**8,804**	11,570
Interest payable	*4(21)*	**2,777**	2,793
Other payables	*4(22)*	**227,897**	374,147
Total current liabilities		**3,465,090**	3,504,507
Non-current liabilities			
Deferred income	*4(23)*	**28,412**	28,309
Total liabilities		**3,493,502**	3,532,816
Shareholders' equity			
Share capital	*4(24)*	**6,000,000**	6,000,000
Capital surplus	*4(25)*	**1,146,794**	1,146,794
Specific reserve	*4(26)*	**1,524**	1,447
Surplus reserve	*4(27)*	**200,383**	200,383
(Accumulated losses)/ Undistributed profits	*4(28)*	**(2,002,415)**	(252,136)
Total shareholders' equity		**5,346,286**	7,096,488
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**8,839,788**	10,629,304

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

Lu Liyong	**Lu Liyong**	**Li Jianping**	**Cao Laiyu**
Legal representative	*General Manager*	*Chief Financial Officer*	*Vice Director of the Asset and Accounting Department*

Income Statement

For the six months period ended 30 June 2014
(All amounts in RMB'000 Yuan unless otherwise stated)
(English translation for reference only)

		Notes	For the six months period ended 30 June 2014	2013
1.	**Revenue**	4(29)	**7,924,423**	8,717,991
	Less: Cost of sales	4(29)	**(8,046,864)**	(8,812,475)
	Taxes and surcharges	4(30)	**(2,764)**	(29)
	Selling and distribution expenses	4(31)	**(120,321)**	(109,521)
	General and administrative expenses	4(32)	**(391,805)**	(374,303)
	Financial (expenses)/ income — net	4(33)	**(8,024)**	1,943
	Asset impairment loss	4(34)	**(1,024,524)**	15
	Investment income/(loss)	4(35)	**2,026**	(2,959)
	Including: Share of profit/(loss) of a joint venture		**2,026**	(2,959)
2.	**Operating loss**		**(1,667,853)**	(579,338)
	Add: Non-operating income	4(36)	**3,063**	1,305
	Less: Non-operating expenses	4(37)	**(11,706)**	(17,528)
	Including: Loss on disposal of non-current assets		**(4,940)**	(3,360)
3.	**Total loss**		**(1,676,496)**	(595,561)
	Less: Income tax expenses	4(38)	**(73,783)**	104,116
4.	**Net loss**		**(1,750,279)**	(491,445)
5.	**Loss per share**	4(39)		
	Basic loss per share (RMB Yuan)		**(0.29)**	(0.08)
	Diluted loss per share (RMB Yuan)		**(0.29)**	(0.08)
6.	**Other comprehensive income**		**–**	–
7.	**Total comprehensive income**		**(1,750,279)**	(491,445)

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

Lu Liyong	**Lu Liyong**	**Li Jianping**	**Cao Laiyu**
Legal representative	*General Manager*	*Chief Financial Officer*	*Vice Director of the Asset and Accounting Department*

Cash Flow Statement

For the six months period ended 30 June 2014

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

(English translation for reference only)

		Notes	For the six months period ended 30 June 2014	2013
1.	**Cash flows from operating activities**			
	Cash received from sales of goods		**8,296,580**	8,490,195
	Refund of taxes and surcharges		**3,011**	1,191
	Sub-total of cash inflows		**8,299,591**	8,491,386
	Cash paid for goods and services		**(7,853,590)**	(8,526,094)
	Cash paid to and on behalf of employees		**(475,103)**	(458,092)
	Payments of taxes and surcharges		**(20,935)**	(26,610)
	Cash paid relating to other operating activities	*4(40)(a)*	**(206,977)**	(205,757)
	Sub-total of cash outflows		**(8,556,605)**	(9,216,553)
	Net cash flows from operating activities	*4(41)(a)*	**(257,014)**	(725,167)
2.	**Cash flows from investing activities**			
	Net cash received from disposal of fixed assets		**1,202**	1,074
	Cash received relating to other investing activities	*4(40)(b)*	**22,625**	1,977
	Sub-total of cash inflows		**23,827**	3,051
	Cash paid to acquire fixed assets and intangible assets		**(11,530)**	(122,659)
	Cash paid to acquire financial assets		**–**	(20,000)
	Sub-total of cash outflows		**(11,530)**	(142,659)
	Net cash flows from investing activities		**12,297**	(139,608)

Cash Flow Statement (continued)

For the six months period ended 30 June 2014

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

(English translation for reference only)

		Notes	For the six months period ended 30 June 2014	2013
3.	**Cash flows from financing activities**			
	Cash received from borrowings		**3,295,411**	1,357,724
	Cash repayments of borrowings		**(3,035,088)**	(595,128)
	Cash payments for interest expenses		**(37,068)**	(20,877)
	Sub-total of cash outflows		**(3,072,156)**	(616,005)
	Net cash flows from financing activities		**223,255**	741,719
4.	**Effect of foreign exchange rate changes on cash and cash equivalents**		**(1,340)**	1,678
5.	**Net decrease in cash and cash equivalents**	*4(41)(c)*	**(22,802)**	(121,378)
	Add: Cash and cash equivalents at beginning of period		**85,797**	162,027
6.	**Cash and cash equivalents at end of period**	*4(41)(d)*	**62,995**	40,649

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

Lu Liyong	**Lu Liyong**	**Li Jianping**	**Cao Laiyu**
Legal representative	*General Manager*	*Chief Financial Officer*	*Vice Director of the Asset and Accounting Department*

Statement of Changes in Shareholders' Equity

For the six months period ended 30 June 2014

(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/ (Accumulated losses)	Total shareholders' equity
Balance at 1 January 2013		4,000,000	3,146,794	80	200,383	1,202,081	8,549,338
Movements for the six months period ended 30 June 2013							
Net loss		–	–	–	–	(491,445)	(491,445)
Production safety fund							
— accrual		–	–	1,199	–	–	1,199
— utilisation		–	–	(84)	–	–	(84)
Balance at 30 June 2013		**4,000,000**	**3,146,794**	**1,195**	**200,383**	**710,636**	**8,059,008**
Movements for the six months period from July to December of 2013							
Net loss		–	–	–	–	(962,772)	(962,772)
Internal equity transfer							
— conversion of capital surplus into paid-in capital	*4(25)*	2,000,000	(2,000,000)	–	–	–	–
Production safety fund		–	–	–	–	–	–
— accrual		–	–	529	–	–	529
— utilisation		–	–	(277)	–	–	(277)
Balance at 31 December 2013		**6,000,000**	**1,146,794**	**1,447**	**200,383**	**(252,136)**	**7,096,488**
Balance at 1 January 2014		**6,000,000**	**1,146,794**	**1,447**	**200,383**	**(252,136)**	**7,096,488**
Movements for the six months period ended 30 June 2014							
Net loss		**–**	**–**	**–**	**–**	**(1,750,279)**	**(1,750,279)**
Production safety fund							
— accrual		**–**	**–**	**432**	**–**	**–**	**432**
— utilisation		**–**	**–**	**(355)**	**–**	**–**	**(355)**
Balance at 30 June 2014		**6,000,000**	**1,146,794**	**1,524**	**200,383**	**(2,002,415)**	**5,346,286**

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

Lu Liyong	**Lu Liyong**	**Li Jianping**	**Cao Laiyu**
Legal representative	*General Manager*	*Chief Financial Officer*	*Vice Director of the Asset and Accounting Department*

Notes to the Financial Statements

For the six months period ended 30 June 2014

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

(English translation for reference only)

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.

1 GENERAL INFORMATION (continued)

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 Company implemented the A Share Reform in 2013 under which the non-circulating shareholders of the Company paid 5 shares for each 10 circulating A shares that were registered on 16 August 2013 (the date of registration as agreed in the reform plan). As a result, 100,000,000 shares were paid in total. After the payment, the shares held by Sinopec Corp. and CITIC Limited in the Company decreased from 42% and 18% to 40.25% and 17.25%, respectively. From 22 August 2013, all non-circulating shares obtained circulating rights in the Shanghai Stock Exchange. However, in accordance with the agreed terms of restriction on tradability, as at 30 June 2014, all shares held by Sinopec Corp. and CITIC Limited have not been available for trading.

Pursuant to the resolutions of general meeting of shareholders of the Company, the Company converted 5 shares for each 10 H shares and A shares that were registered on 13 November 2013 and 20 November 2013, respectively from share premium into share capital. Additional 700,000,000 H shares and additional 1,300,000,000 A shares were thus issued and the transaction was completed on 22 November 2013.

Pursuant to a notice from CPC on 27 May 2014, CPC is planning a significant assets reorganisation in connection with the Company which will involve the assets and liabilities of CPC's oilfield engineering business. Given the significant uncertainty, the trading of shares of the Company was suspended since 28 May 2014. Up to the date of this report, the detailed reorganisation plan is still under discussion.

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 22 August 2014.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(1) Basis of preparation

(i) Standards and regulations 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(1) Basis of preparation (continued)

(ii) Going concern basis

For the six months period ended 30 June 2014, the Company incurred a net loss of RMB1,750 million. The accumulated losses amounted to RMB2,002 million as at 30 June 2014. Taking into account the Company's ability to generate cash from operating activities, undrawn borrowing facilities of approximately RMB935 million and the planned significant assets reorganisation, the management and directors of the Company believe that the Company can meet its liabilities as and when they fall due and refinance its borrowings within the 12 months after 30 June 2014. Consequently, the Company prepared the financial statements on a going concern basis.

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

These financial statements for the six months period ended 30 June 2014 (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 2014 and of their financial performance, cash flows and the 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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(7) Financial instruments (continued)

(a) Financial assets (continued)

(ii) Recognition and measurement (continued)

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.

(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.

The objective evidence proving that the financial asset has been impaired refers to the actually incurred events which, after the financial asset is initially recognized, have an impact on the predicted future cash flow of the said financial asset that can be reliably measured by the enterprise, including but 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;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(7) Financial instruments (continued)

(a) Financial assets (continued)

(iii) Impairment of financial assets (continued)

(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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(7) Financial instruments (continued)

(a) Financial assets (continued)

(iv) Derecognition of financial assets (continued)

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.

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.

(7) Financial instruments (continued)

(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.

The criterion for determing "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.

(8) Receivables (continued)

(b) Receivables that are subject to provision for bad debts on the grouping basis (continued)

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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(9) Inventories (continued)

(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 venture 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
The Company accounts for long-term equity investments 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(10) Long-term equity investments (continued)

(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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(11) Fixed assets (continued)

(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.

(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)).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(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.

(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 44–50 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(14) Intangible assets (continued)

(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.

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)).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(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 venture 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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(20) Government Grants (continued)

The government grants related to assets refer to those used in acquisition or construction of or in other manners to form long-term assets. The government grants related to income refer to the government grants other than those related to assets.

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 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.

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(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.

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;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(25) Related parties (continued)

(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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(26) Critical accounting estimates and judgments (continued)

(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 deductable 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.

(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 [2012] 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 2014			31 December 2013		
	Amount in foreign currency	**Exchange rate**	**Amount in RMB**	Amount in foreign currency	Exchange rate	Amount in RMB
Cash on hand						
– RMB	–	–	21	–	–	27
Bank deposits						
– RMB	–	–	43,577	–	–	81,543
– USD	38	6.1528	234	38	6.0969	231
			43,811			81,774
Deposits with related party						
– RMB	–	–	19,163	–	–	23,996
			62,995			105,797

4 NOTES TO THE FINANCIAL STATEMENTS (continued)

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

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 2014, there are no bank deposits (31 December 2013: 20,000 thousand) pledged for issuing bank acceptance notes (Note 4(16)).

(2) Notes receivable

	30 June 2014	31 December 2013
Bank acceptance notes	**2,155,563**	2,558,598

As at 30 June 2014 and 31 December 2013, notes receivable are neither pledged nor overdue.

As at 30 June 2014, the five largest notes receivable that are not mature but have been endorsed to other parties are as follows:

	Issuance date	**Maturity date**	**Amount**
Issuer 1	26 May 2014	20 August 2014	18,943
Issuer 2	28 April 2014	28 July 2014	11,293
Issuer 2	26 June 2014	26 September 2014	10,568
Issuer 3	16 May 2014	12 August 2014	9,503
Issuer 3	17 April 2014	11 July 2014	9,116
			59,423

(3) Accounts receivable

	30 June 2014	31 December 2013
Accounts receivable	**116,249**	140,540
Less: provision for bad debts	**–**	–
	116,249	140,540

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

	30 June 2014	31 December 2013
Within 1 year	**116,249**	140,540

4 NOTES TO THE FINANCIAL STATEMENTS (continued)

(3) Accounts receivable (continued)

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

	30 June 2014				31 December 2013			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
Accounts receivable that the related provision for bad debts is provided on the grouping basis	**116,249**	**100%**	**–**	**–**	140,540	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 2014 and 31 December 2013, 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 2014				31 December 2013			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Within 1 year	**116,249**	**100%**	**–**	**–**	140,540	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.

(e) As at 30 June 2014, the five largest accounts receivable are analysed as follows:

	Relationship with the Company	Amount	Ageing	Percentage of total accounts receivable
Entity A	Third Party	16,108	Within 1 year	13.86%
Entity B	Third Party	12,329	Within 1 year	10.61%
Entity C	Third Party	8,137	Within 1 year	7.00%
Entity D	Third Party	5,587	Within 1 year	4.81%
Entity E	Third Party	5,182	Within 1 year	4.46%
		47,343		40.74%

4 NOTES TO THE FINANCIAL STATEMENTS (continued)

(3) Accounts receivable (continued)

(f) Balance due from related parties:

	Relationship with the Company	30 June 2014 Amount	30 June 2014 Percentage of accounts receivable	30 June 2014 Provision for bad debts	31 December 2013 Amount	31 December 2013 Percentage of accounts receivable	31 December 2013 Provision for bad debts
CPC and its subsidiaries	Ultimate holding company	**15**	**0.00%**	**–**	7,094	5.05%	–

Except for those listed above, as at 30 June 2014 and 31 December 2013, 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 2014 Amount in foreign currency	30 June 2014 Exchange rate	30 June 2014 Amount in RMB	31 December 2013 Amount in foreign currency	31 December 2013 Exchange rate	31 December 2013 Amount in RMB
USD	**11,318**	**6.1528**	**69,637**	17,102	6.0969	104,272

(4) Other receivables

	30 June 2014	31 December 2013
Amounts due from related parties *(Note 6(5))*	**138,798**	–
Amounts due from third parties	**25,110**	9,107
Less: Provision for bad debts	**(893)**	(1,294)
	163,015	7,813

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

	30 June 2014	31 December 2013
Within 1 year	**163,015**	7,813
Over 3 years	**893**	1,294
	163,908	9,107
Less: Provision for bad debts	**(893)**	(1,294)
	163,015	7,813

4 NOTES TO THE FINANCIAL STATEMENTS (continued)

(4) Other receivables (continued)

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

	30 June 2014				31 December 2013			
	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	163,908	100%	(893)	1%	9,107	100%	(1,294)	14%

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 2014 and 31 December 2013, there were no significant or insignificant other receivables that were individually determined to be impaired.

(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 2014				31 December 2013			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Within 1 year	163,015	99%	–	–	7,813	86%	–	–
Over 3 years	893	1%	(893)	100%	1,294	14%	(1,294)	100%
	163,908	100%	(893)	100%	9,107	100%	(1,294)	100%

(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.

4 **NOTES TO THE FINANCIAL STATEMENTS (continued)**

(4) Other receivables (continued)

(e) As at 30 June 2014, the five largest other receivables are analysed as follows:

	Relationship with the Company	Amount	Ageing	% of total balance
CPC and its subsidiaries *(Note 6(5))*	Related party	138,798	Within 1 year	84.68%
Entity B	Third party	21,094	Within 1 year	12.87%
Entity C	Third party	1,118	Within 1 year	0.68%
Entity D	Third party	893	Within 1 year	0.54%
Entity E	Third party	460	Within 1 year	0.28%
		162,363		99.06%

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

		30 June 2014			31 December 2013		
	Relationship with the Company	**Amount**	**% of total balance**	**Provision for bad debts**	Amount	% of total balance	Provision for bad debts
CPC and its subsidiaries	Related party	**138,798**	**84.68%**	**–**	–	–	–

As at 30 June 2014 and 31 December 2013, other receivables did not include those due from shareholders holding 5% or more of the voting rights of the Company except for those listed above.

(g) As at 30 June 2014 and 31 December 2013, no balances denominated in foreign currencies were included in other receivables of the Company.

(5) Advances to suppliers

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

	30 June 2014		31 December 2013	
	Amount	**% of total balance**	Amount	% of total balance
Within 1 year	**29,787**	**100%**	28,358	100%

4 **NOTES TO THE FINANCIAL STATEMENTS (continued)**

(5) Advances to suppliers (continued)

(b) As at 30 June 2014, 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	Related party	21,627	73%	Within 1 year	Advances for goods
Entity B	Third party	3,520	12%	Within 1 year	Advances for goods
Entity C	Third party	3,000	10%	Within 1 year	Advances for goods
Entity D	Third party	893	3%	Within 1 year	Advances for goods
Entity E	Third party	386	1%	Within 1 year	Advances for goods
		29,426	99%		

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

	30 June 2014			31 December 2013		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
CPC and its subsidiaries	–	–	–	15,000	53%	–
Sinopec Corp. and its subsidiaries	21,627	73%	–	–	–	–
	21,627	73%	–	15,000	53%	–

Except for those listed above, as at 30 June 2014 and 31 December 2013, there were not advances paid to shareholders holding 5% or more of the voting rights of the Company.

(d) As at 30 June 2014 and 31 December 2013, 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 2014			31 December 2013		
	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	**589,558**	**(11,392)**	**578,166**	467,866	(11,392)	456,474
Work in progress	**87,268**	**–**	**87,268**	140,116	–	140,116
Finished goods	**610,655**	**(16,447)**	**594,208**	666,697	(16,447)	650,250
Spare parts and turnover materials	**90,325**	**(17,850)**	**72,475**	91,654	(17,850)	73,804
	1,377,806	**(45,689)**	**1,332,117**	1,366,333	(45,689)	1,320,644

As at 30 June 2014 and 31 December 2013, 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	16,447	–	–	16,447
Spare parts and turnover materials	17,850	–	–	17,850
	45,689	–	–	45,689

4 NOTES TO THE FINANCIAL STATEMENTS (continued)

(7) *Other current assets*

	30 June 2014	31 December 2013
VAT to be offset	**101,494**	151,124
Others	**7,351**	7,341
	108,845	158,465

(8) *Long-term equity investment*

	30 June 2014	31 December 2013
Joint venture	**586,876**	584,850
Less: provision for impairment of long-term equity investment	**–**	–
	586,876	584,850

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

	Accounting method	Investment cost	31 December 2013	Share of net profit using the equity method	30 June 2014	Share holding (%)	Voting rights (%)
FEYP	Equity method	581,340	584,850	2,026	**586,876**	40%	40%

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 2013	Increase in the period	Decrease in the period	**30 June 2014**
Cost	14,044,597	995,731	(115,160)	**14,925,168**
Buildings	1,985,483	4,369	(59,782)	**1,930,070**
Machinery and equipment	11,042,812	983,887	(37,605)	**11,989,094**
Motor vehicles and other fixed assets	1,016,302	7,475	(17,773)	**1,006,004**
Accumulated depreciation	(9,436,467)	(240,757)	82,658	**(9,594,566)**
Buildings	(983,889)	(33,258)	29,393	**(987,754)**
Machinery and equipment	(7,731,372)	(189,344)	41,361	**(7,879,355)**
Motor vehicles and other fixed assets	(721,206)	(18,155)	11,904	**(727,457)**
Net book value	4,608,130	–	–	**5,330,602**
Buildings	1,001,594	–	–	**942,316**
Machinery and equipment	3,311,440	–	–	**4,109,739**
Motor vehicles and other fixed assets	295,096	–	–	**278,547**
Provision for impairment	(644,259)	(845,949)	6,350	**(1,483,858)**
Buildings	(8,253)	–	627	**(7,626)**
Machinery and equipment	(581,324)	(845,949)	5,692	**(1,421,581)**
Motor vehicles and other fixed assets	(54,682)	–	31	**(54,651)**
Carrying amount	3,963,871	–	–	**3,846,744**
Buildings	993,341	–	–	**934,690**
Machinery and equipment	2,730,116	–	–	**2,688,158**
Motor vehicles and other fixed assets	240,414	–	–	**223,896**

As at 30 June 2014 and 31 December 2013, no fixed assets of the Company were pledged.

For the six months period ended 30 June 2014, the depreciation charges of fixed assets amounted to RMB240,757 thousand (the six months period ended 30 June 2013: RMB213,557 thousand), of which RMB230,457 thousand, 20 thousand and 10,280 thousand was charged in costs of goods sold, selling expenses and general and administrative expenses, respectively (the six months period ended 30 June 2013: RMB201,215 thousand, 22 thousand and 12,320 thousand).

(9) Fixed assets (continued)

Due to the rapid increase of raw materials prices, the profit margin of polyester chip products shrinked sharply in the second quarter of 2014. The Company assessed the recoverable amount of assets group including fixed assets and intangible assets in relation to polyester chip production facilities as at 30 June 2014 and as a result the carrying amount of fixed assets was written down by 164,028 thousand. The estimate of recoverable amount was based on the value in use of these facilities. In assessing value in use, the discount rate used to calculate the present value of estimated future cash flows is 13%. In addition, the impairment losses were also determined by reference to a revaluation on these facilities performed by an independent valuer registered in the PRC, China United Assets Appraisal Corporation.

Furthermore, in light of the significant and continuous drop of the price of 1, 4-butanediol product since April 2014 as a result of fierce competition with coal chemical products and severe over-capacity in the industry, and lack of competitiveness in terms of production cost of the Company's 1, 4-butanediol product in current market due to technological reason, the Company assessed the recoverable amount of maleic anhydride and 1, 4-butanediol production facilities as at 30 June 2014 and decided to shut down 1, 4-butanediol production facilities that does not result in economic benefits. Based on the assessment of the recoverable amount of assets group including fixed assets, intangible assets and long-term prepaid expenses, the carrying amount of fixed assets and intangible assets was written down by RMB681,921 thousand and 178,575 thousand, respectively. In addition, considering the manufacture of 1, 4-butanediol product will be shut down and the catalyst already in the production facilities will lose its activity as time passes, the Company expensed all of the net book value of the catalyst amounting to RMB135,503 thousand in the six months period ended 30 June 2014. The estimate of recoverable amount was based on the value in use of these facilities. In assessing value in use, the discount rate used to calculate the present value of estimated future cash flows is 13%. In addition, the impairment losses were also determined by reference to a revaluation on these facilities performed by an independent valuer registered in the PRC, China United Assets Appraisal Corporation.

The costs of fixed assets transferred from construction in progress amounted to RMB995,731 thousand (six months period ended 30 June 2013: RMB73,553 thousand).

As at 30 June 2014, the fixed assets temporarily idle for the reason of production arrangement are analysed as follows:

	Cost	Accumulated depreciation	Provision for impairment	Carrying amount
Buildings	12,625	(2,294)	(120)	10,211
Machinery and equipment	81,800	(48,599)	(22,167)	11,034
Motor vehicles and other fixed assets	10,906	(4,167)	(6,280)	459
	105,331	(55,060)	(28,567)	21,704

4 NOTES TO THE FINANCIAL STATEMENTS (continued)

(10) Construction in progress

	30 June 2014			31 December 2013		
	Ending balance	**Provision for impairment**	**Carrying amount**	Ending balance	Provision for impairment	Carrying amount
100 thousand tonne/year 1,4-butanediol project	**–**	**–**	**–**	1,027,276	–	1,027,276
Improvements of existing plants and equipment	**95,238**	**–**	**95,238**	107,669	–	107,669
Thermoelectric denitration dust production center renovation project	**92,721**	**–**	**92,721**	59,998	–	59,998
NCIC-YCFC hydrogen gas pipeline project	**75,169**	**–**	**75,169**	74,996	–	74,996
Synthetic fiber processing application center project (yizheng branch corporation)	**13,490**	**–**	**13,490**	10,000	–	10,000
	276,618	**–**	**276,618**	1,279,939	–	1,279,939

(a) Movement of significant projects of construction in progress

Name	Budgeted amount	31 December 2013	Increase in the period	Transfer to fixed assets	Transfer to intangible assets	**30 June 2014**	Proportion of expenditures incurred to budgeted amount	Progress of construction	Source of funds
100 thousand tonne/year 1,4-butanediol project	1,670,082	1,027,276	112,967	(961,668)	(178,575)	**–**	98%	100%	Own fund
Improvements of existing plants and equipment	227,769	107,669	21,632	(34,063)	–	**95,238**	74%	–	Own fund
Thermoelectric denitration dust production center renovation project	185,203	59,998	32,723	–	–	**92,721**	50%	50%	Own fund
NCIC-YCFC hydrogen gas pipeline project	159,800	74,996	173	–	–	**75,169**	47%	47%	Own fund
Synthetic fiber processing application center project (yizheng branch corporation)	42,930	10,000	3,490	–	–	**13,490**	31%	31%	Own fund
		1,279,939	170,985	(995,731)	(178,575)	**276,618**			

4 **NOTES TO THE FINANCIAL STATEMENTS (continued)**

(10) Construction in progress (continued)

(b) As at 30 June 2014, the progress of significant projects of construction in progress is analysed as follows:

Project name	Progress	Remark
NCIC-YCFC hydrogen pipeline engineering project	47%	Pipeline in Yizheng section has been completed, Nanjing section is under construction
Thermoelectric denitration dust production center renovation project	50%	Equipment is under installation
Synthetic fiber processing application center project (yizheng branch corporation)	31%	Equipment is under installation

(11) Intangible assets

	31 December 2013	Increase in the period	Decrease in the period	**30 June 2014**
Cost	767,451	178,575	(144,190)	**801,836**
Land use rights (a)	406,123	–	(144,190)	**261,933**
Patents	208,893	178,575	–	**387,468**
Technology rights	152,435	–	–	**152,435**
Accumulated amortisation	(496,308)	(4,537)	38,563	**(462,282)**
Land use rights (a)	(142,861)	(3,970)	38,563	**(108,268)**
Patents	(208,893)	–	–	**(208,893)**
Technology rights	(144,554)	(567)	–	**(145,121)**
Provision for impairment	–	(178,575)	–	**(178,575)**
Land use rights	–	–	–	**–**
Patents (b)	–	(178,575)	–	**(178,575)**
Technology rights	–	–	–	**–**
Carrying amount	271,143	–	–	**160,979**
Land use rights	263,262	–	–	**153,665**
Patents	–	–	–	**–**
Technology rights	7,881	–	–	**7,314**

(a) Due to the restriction by respective PRC land regulations, the transfer of land use right pursuant to an assets transfer plan entered into by the Company and Yihua Group in 2001 could not be finalised. By mutual agreement, the transfer of aforementioned land use right was canceled and those land use right with cost of RMB131,398 thousand was reclassified as receivables due from Yihua group and Yihua Group agreed to pay a compensation amounted to RMB7,400 thousand to the Company.

4 NOTES TO THE FINANCIAL STATEMENTS (continued)

(11) Intangible assets (continued)

(b) As mentioned in Note 4(9), in light of the significant and continuous drop of the price of 1, 4-butanediol product since April 2014 as a result of severe over-capacity in the industry and lack of competitiveness in terms of production cost of the Company's 1, 4-butanediol product in current market due to high price of raw materials, the Company assessed the recoverable amount of assets group of its 1, 4-butanediol business as at 30 June 2014 and made provision for assets impairment accordingly. Considering the production of 1, 4-butanediol will not be resumed in the foreseeable future, the Company made a full provision of RMB 178,575 thousand against the patents that are used in the production of 1, 4-butanediol.

For the six months period ended 30 June 2014, amortisation of intangible assets amounted to RMB4,537 thousand (six months period ended 30 June 2013: 15,252 thousand), were included in profit and loss.

As at 30 June 2014 and 31 December 2013, the above intangible assets were not pledged.

(12) Long-term prepaid expenses

	31 December 2013	Increase in the period	Amortisation in the period	Other decreases	**30 June 2014**
Long-acting catalysts	135,503	–	(135,503)	–	**–**

As at 31 December 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.

As mentioned in Note 4(9), in light of the significant and continuous drop of the price of 1, 4-butanediol product since April 2014 as a result of severe over-capacity in the industry and lack of competitiveness in terms of production cost of the Company's 1, 4-butanediol product in current market due to high price of raw materials, the Company assessed the recoverable amount of the assets group of its 1, 4-butanediol business assets group including fixed assets, intangible assets and long-term prepaid expenses as at 30 June 2014. Considering the production of 1, 4-butanediol product will not be resumed in the foreseeable future and the catalyst already in the production facilities will lose its activity as time passes, the Company expensed all of the net book value of the catalyst amounting to RMB135,503 thousand in the six months period ended 30 June 2014.

4 NOTES TO THE FINANCIAL STATEMENTS (continued)

(13) Deferred tax assets

	30 June 2014		31 December 2013	
	Deferred tax assets	Deductible temporary differences and tax loss	Deferred tax assets	Deductible temporary differences and tax loss
Provision for assets impairment and influence on depreciation	–	–	64,989	259,956
Deferred income	–	–	7,077	28,309
Accrued expenses	–	–	1,293	5,174
Production safety fund	–	–	–	–
Deductible losses	–	–	–	–
Other	–	–	424	1,695
	–	–	73,783	295,134

The tax losses of the Company can be carried forward to subsequent 5 years for deduction of the taxable profit in accordance with the PRC tax laws. However, according to the accounting policy of the Company, deferred tax assets are only recognised to the extent that it is probable that taxable profit will be available in the future.

Considering the significant losses incurred in 2012 and 2013 and uncertainty of future market, management of the Company assess it is significantly uncertain whether the Company can make sufficient taxable income and thus determine to write off the deferred income tax assets amounted to RMB73,783 thousand in the six months period ended 30 June 2014.

Deductible temporary differences and tax losses that are not recognized as deferred tax assets are analysed as follows:

	30 June 2014	31 December 2013
Tax losses	**2,470,989**	1,926,032
Deductible temporary differences	**1,426,169**	–
	3,897,158	1,926,032

Tax losses that are not recognized as deferred tax assets will be expired as follows:

	30 June 2014	31 December 2013
2017	**847,115**	847,115
2018	**1,078,917**	1,078,917
2019	**544,957**	–
	2,470,989	1,926,032

4 NOTES TO THE FINANCIAL STATEMENTS (continued)

(14) Provision for assets impairment

	31 December 2013	Increase in the period	Decrease in the period Reversal	Decrease in the period Write-off	**30 June 2014**
Provision for bad debts of other receivables	1,294	–	–	(401)	**893**
Provision for decline in value of inventories	45,689	–	–	–	**45,689**
Provision for impairment of fixed assets	644,259	845,949	–	(6,350)	**1,483,858**
Provision for impairment of intangible assets	–	178,575	–	–	**178,575**
	691,242	1,024,524	–	(6,751)	**1,709,015**

(15) Short-term borrowings

	Currency	**30 June 2014**	31 December 2013
Unsecured borrowings from related parties *(Note 6(5))*	RMB	**800,000**	700,000
Unsecured borrowings from third parties	RMB	**1,065,000**	720,000
	USD	**–**	182,907
		1,865,000	1,602,907

As at 30 June 2014, the weighted average interest rate of short-term borrowings is 5.36% annually (31 December 2013: 4.73%).

As at 30 June 2014, the Company had no overdue short-term borrowings.

As at 30 June 2014, the unused facility of short-term borrowings is RMB935,000 thousand (31 December 2013: RMB550,000 thousand).

(16) Notes payable

	30 June 2014	31 December 2013
Bank acceptance notes	**300,000**	400,000

As at 30 June 2014, no bank deposits are pledged as collateral for the notes payable (31 December 2013: RMB20,000 thousand).

(17) *Accounts payable*

	30 June 2014	31 December 2013
Accounts payable to related parties *(Note 6(5))*	**347,036**	488,661
Accounts payable to third parties	**413,726**	312,097
	760,762	800,758

(a) Accounts payable to related parties

	30 June 2014	31 December 2013
Sinopec Corp and its subsidiaries	**346,998**	488,565
CPC and its subsidiaries	**38**	96
	347,036	488,661

Except for those listed above, as at 30 June 2014 and 31 December 2013, 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 2014, 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 2014			31 December 2013		
	Amount in foreign currency	**Exchange rate**	**Amount in RMB**	Amount in foreign currency	Exchange rate	Amount in RMB
USD	**26,042**	**6.1528**	**160,231**	67,702	6.0969	412,772

(18) *Advances from customers*

	30 June 2014	31 December 2013
Advances from related parties *(Note 6(5))*	**5,136**	4,256
Advances from third parties	**257,808**	305,830
	262,944	310,086

4 NOTES TO THE FINANCIAL STATEMENTS (continued)

(18) Advances from customers (continued)

(a) As at 30 June 2014 and 31 December 2013, 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 2014, no advances over 1 year with significant amount are included in the balance.

(c) Advances from customers denominated in foreign currencies are as follows:

	30 June 2014			31 December 2013		
	Amount in foreign currency	**Exchange rate**	**Amount in RMB**	Amount in foreign currency	Exchange rate	Amount in RMB
USD	**179**	**6.1528**	**1,101**	–	–	–

(19) Employee benefits payable

	31 December 2013	Increase in the period	Decrease in the period	**30 June 2014**
Wages and salaries, bonuses, allowances and subsidies	–	319,393	(284,393)	**35,000**
Employee welfare	–	54,153	(54,153)	**–**
Social security contributions	–	117,499	(117,138)	**361**
Including: Medical insurance	–	25,629	(25,629)	**–**
Basic pension	–	60,498	(60,498)	**–**
Unemployment insurance	–	4,537	(4,537)	**–**
Work injury insurance	–	2,391	(2,030)	**361**
Supplementary medical insurance	–	8,991	(8,991)	**–**
Supplementary pension	–	15,453	(15,453)	**–**
Housing funds	–	38,274	(38,274)	**–**
Labor union funds and employees' education funds	2,184	7,257	(8,006)	**1,435**
Others	62	5,123	(5,075)	**110**
	2,246	541,699	(507,039)	**36,906**

(19) Employee benefits payable (continued)

As at 30 June 2014, 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 2014	31 December 2013
Land use tax payable	**4,266**	4,266
Property tax payable	**3,543**	3,468
Individual income tax payable	**575**	3,817
Business tax payable	**420**	19
	8,804	11,570

(21) Interest payable

	30 June 2014	31 December 2013
Interest payable to related parties *(Note 6(5))*	**1,198**	1,078
Interest payable to third parties	**1,579**	1,715
	2,777	2,793

(22) Other payables

	30 June 2014	31 December 2013
Payables for construction and equipment	**120,731**	311,699
Others	**107,166**	62,448
	227,897	374,147

4 **NOTES TO THE FINANCIAL STATEMENTS (continued)**

(22) Other payables (continued)

(a) Other payables to related parties

	30 June 2014	31 December 2013
Sinopec Corp and its subsidiaries	**1,588**	1,436
CPC and its subsidiaries	**24,550**	40,654
	26,138	42,090

Except for those listed above, as at 30 June 2014 and 31 December 2013, there are 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 2014, other payables over 1 year with carrying amount of RMB35,074 thousand (31 December 2013: RMB74,764 thousand) are mainly payables for construction projects within guarantee period, which are unsettled.

(c) As at 30 June 2014 and 31 December 2013, no balance denominated in foreign currency is included in other payables of the Company.

(23) Deferred income

	30 June 2014	31 December 2013
Government grants related to assets	**26,412**	26,309
Government grants related to income	**2,000**	2,000
	28,412	28,309

(23) Deferred income (continued)

Government grants project	31 December 2013	Increase in the period	Recognised in non-operating income in the period	**30 June 2014**	Related to assets/ income
300 tonne HPPE project	8,625	–	(591)	**8,034**	Related to assets
220t/h boiler flue gas desulfurization project	5,111	–	(252)	**4,859**	Related to assets
R&D and industrialization for dry spinning complete technology of 3,000 tonne/year HPPE	6,000	–	–	**6,000**	Related to assets
Environment protection, energy conservation and emission reduction — odor collection system upgrading project	1,473	–	(54)	**1,419**	Related to assets
Special equipment and asset grants-high-performance fiber key laboratory	2,000	1,000	–	**3,000**	Related to assets
Guide funds special for industrial and IT industry transformation	3,100	–	–	**3,100**	Related to assets
	26,309	1,000	(897)	**26,412**	
R&D and industrialization for dry spinning complete technology of 3,000 tonne/year HPPE	2,000	–	–	**2,000**	Related to income
	28,309	1,000	(897)	**28,412**	

For the six months period ended 30 June 2014, amortisation of the government grants related to assets of the Company amounted to RMB897 thousand (the six months period ended 30 June 2013: RMB663 thousand) and was recorded in non-operating income.

(24) Share capital

	30 June 2014	31 December 2013
Held by state-owned legal person (A share)	**3,450,000**	3,450,000
RMB public shares (A share)	**450,000**	450,000
Foreign shares listed overseas (H share)	**2,100,000**	2,100,000
	6,000,000	6,000,000

4 NOTES TO THE FINANCIAL STATEMENTS (continued)

(24) Share capital (continued)

As mentioned in Note 1, 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. As at 30 June 2014, all shares held by original non-circulating shareholders have not been available for trading.

Pursuant to approved A Share Reform Scheme, the Company is allowed to convert 5 shares for each 10 shares from capital surplus into share capital. The conversion of 2,000,000,000 share was completed on 22 November 2013 and has been verified by PricewaterhouseCoopers Zhong Tian LLP pursuant to the capital verification report (PwC ZT Yan Zi (2014) No. 138).

(25) Capital surplus

	31 December 2013	Increase in the period	Decrease in the period	**30 June 2014**
Share premium	1,078,825	–	–	**1,078,825**
Other capital surplus —	67,969	–	–	**67,969**
Including: government contribution for projects	39,630	–	–	**39,630**
	1,146,794	–	–	**1,146,794**

	31 December 2012	Increase in current year	Decrease in current year	31 December 2013
Share premium	3,078,825	–	(2,000,000)	1,078,825
Other capital surplus —	67,969	–	–	67,969
Including: government contribution for projects	39,630	–	–	39,630
	3,146,794	–	(2,000,000)	1,146,794

(26) Specific reserve

	31 December 2013	Increase in the period	Decrease in the period	**30 June 2014**
Specific reserve — production safety fund	1,447	432	(355)	**1,524**

4 NOTES TO THE FINANCIAL STATEMENTS (continued)

(26) Specific reserve (continued)

In accordance with PRC regulations, the Company appropriated production safety fund of RMB432 thousand to specific reserve for the six months period ended 30 June 2014 (six months period ended 30 June 2013: RMB1,199 thousand), which was recognised in the cost of related products and the Specific reserve. For the six months period ended 30 June 2014, the Company utilised production safety fund amounting to RMB355 thousand (the six months period ended 30 June 2013: RMB84 thousand) which was of expenditure nature.

(27) Surplus reserve

	31 December 2013	Increase in the period	Decrease in the period	**30 June 2014**
Statutory surplus reserve	200,383	–	–	**200,383**

	31 December 2012	Increase in current year	Decrease in current year	31 December 2013
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.

(28) (Accumulated losses)/undistributed profits

	For the six months period ended 30 June			
	2014		2013	
	Amount	**Appropriation/ distribution ratio**	Amount	Appropriation/ distribution ratio
Undistributed profits at the beginning of the period	**(252,136)**	**Not applicable**	1,202,081	Not applicable
Less: net loss of the period	**(1,750,279)**	**Not applicable**	(491,445)	Not applicable
Undistributed profits at the end of the period	**(2,002,415)**		710,636	

(29) Revenue and cost of sales

	For the six months period ended 30 June 2014	2013
Revenue from main operations	**7,726,773**	8,525,538
Revenue from other operations	**197,650**	192,453
	7,924,423	8,717,991

	For the six months period ended 30 June 2014	2013
Cost of sales from main operations	**7,879,566**	8,646,309
Cost of sales from other operations	**167,298**	166,166
	8,046,864	8,812,475

(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 2014		2013	
	Revenue from main operations	**Cost of sales from main operations**	Revenue from main operations	Cost of sales from main operations
PET chip	**2,792,869**	**2,830,689**	3,066,941	3,114,987
Bottle-grade polyester chips	**1,620,962**	**1,600,938**	1,874,412	1,842,931
Staple fibre and hollow fibre	**3,072,230**	**3,001,772**	3,038,086	3,037,559
Filament	**157,873**	**213,962**	390,597	466,502
Others	**82,839**	**232,205**	155,502	184,330
	7,726,773	**7,879,566**	8,525,538	8,646,309

4 NOTES TO THE FINANCIAL STATEMENTS (continued)

(29) Revenue and cost of sales (continued)

(a) Revenue and cost of sales from main operations (continued)

Analysis by locations is as follows:

	For the six months period ended 30 June			
	2014		2013	
	Revenue from main operations	**Cost of sales from main operations**	Revenue from main operations	Cost of sales from main operations
China mainland	**7,493,751**	**7,656,170**	8,206,708	8,333,570
Hong Kong, Macao, Taiwan and overseas	**233,022**	**223,396**	318,830	312,739
	7,726,773	**7,879,566**	8,525,538	8,646,309

(b) Revenue and cost of sales from other operations

	For the six months period ended 30 June			
	2014		2013	
	Revenue from other operations	**Cost of sales from other operations**	Revenue from other operations	Cost of sales from other operations
Utilities	**150,888**	**123,884**	152,932	124,058
Others	**46,762**	**43,414**	39,521	42,108
	197,650	**167,298**	192,453	166,166

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

For the six months period ended 30 June 2014, revenue from the five largest customers of the Company with amount of RMB1,085,077 thousand (six months period ended 30 June 2013: RMB1,166,822 thousand) accounts for 13.69% (six months period ended 30 June 2013: 13.38%) of the total revenue of the Company, as analysed below:

	Revenue	**%of total revenue**
Company 1	298,747	3.77%
Company 2	271,712	3.43%
Company 3	188,577	2.38%
Company 4	163,965	2.07%
Company 5	162,076	2.04%
	1,085,077	13.69%

(30) Tax and surcharges

	For the six months period ended 30 June	
	2014	2013
City maintenance and construction tax	**1,368**	3
Educational surcharge	**976**	2
Business tax	**420**	24
	2,764	29

(31) Selling and distribution expenses

	For the six months period ended 30 June	
	2014	2013
Freight	**87,649**	76,571
Commission fee	**21,119**	21,520
Other selling and distribution expenses	**11,553**	11,430
	120,321	109,521

(32) General and administrative expenses

	For the six months period ended 30 June	
	2014	2013
Repair and maintenance fee	**126,504**	136,844
Salary	**169,834**	132,472
Community service fee	**20,508**	20,256
Taxes	**18,555**	18,430
Technology development fee	**13,870**	14,244
Depreciation and amortization	**12,836**	13,720
Other general and administrative expenses	**29,698**	38,337
	391,805	374,303

(33) Financial expense/(income) — net

	For the six months period ended 30 June	
	2014	2013
Interest expenses	**38,882**	23,351
Interest income	**(31,881)**	(21,714)
Net exchange gains or losses	**527**	(4,134)
Others	**496**	554
	8,024	(1,943)

4 NOTES TO THE FINANCIAL STATEMENTS (continued)

(34) Assets impairment losses

	For the six months period ended 30 June 2014	2013
Impairment loss on fixed assets *(Notes 4(9))*	**845,949**	–
Impairment loss on intangible assets *(Notes 4(11))*	**178,575**	–
Impairment loss on other receivables	**–**	(15)
	1,024,524	(15)

(35) Investment income

	For the six months period ended 30 June 2014	2013
Income/(loss) from long-term equity investment under equity method	**2,026**	(2,959)

(36) Non-operating income

	For the six months period ended 30 June 2014	2013	Amount recognised in non-recurring profit or loss in the period
Gains on disposal of fixed assets	**509**	441	509
Government grants	**897**	683	897
Others	**1,657**	181	1,657
	3,063	1,305	3,063

(37) Non-operating expenses

	For the six months period ended 30 June 2014	2013	Amount recognised in non-recurring profit or loss in the period
Loss on disposal of fixed assets	**4,940**	3,360	4,940
Others	**6,766**	14,168	6,766
	11,706	17,528	11,706

4 NOTES TO THE FINANCIAL STATEMENTS (continued)

(38) Income tax expenses

	For the six months period ended 30 June	
	2014	2013
Current income tax calculated based on tax law and related regulations	**–**	294
Deferred income tax	**73,783**	(104,410)
	73,783	(104,116)

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	
	2014	2013
Total loss	**(1,676,496)**	(595,561)
Income tax expenses calculated at applicable tax rates	**(419,124)**	(148,890)
Revenue of previously recognized deferred tax assets	**73,783**	43,995
Non-deductible expenses	**632**	485
Payment of income tax expenses related to previous periods	**–**	294
Non-taxable income	**(507)**	–
Temporary differences not recognised as deferred tax assets for the period	**282,760**	–
Tax losses not recognised as deferred tax assets for the period	**136,239**	–
Income tax expenses of the period	**73,783**	(104,116)

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 2014	2013
Net loss attributable to ordinary shareholders of the Company	**(1,750,279)**	(491,445)
Weighted average number of ordinary shares outstanding	**6,000,000 thousand shares**	6,000,000 thousand shares
Basic loss per share	**(0.29)**	(0.08)

(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 2014, 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 2014	2013
Freight	**87,731**	76,656
Payment of insurance premium	**–**	25,040
Commission fee	**21,119**	21,520
Community service fee	**20,508**	20,256
Technology development fee	**13,870**	14,244
Others	**63,749**	48,041
	206,977	205,757

(b) Cash received relating to other investing activities

	For the six months period ended 30 June 2014	2013
Interest of bank deposits	**1,573**	1,931
Collection of time deposits	**20,000**	–
Others	**1,052**	46
	22,625	1,977

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 2014	2013
Net loss	**(1,750,279)**	(491,445)
Add: Provision for assets impairment *(Note 4(14))*	**1,024,524**	(15)
Depreciation of fixed assets *(Note 4(9))*	**240,757**	213,557
Amortisation of intangible assets *(Note 4(11))*	**4,537**	15,252
Amortisation of long-term prepaid expenses *(Note 4(12))*	**135,503**	16,844
Amortisation of deferred income *(Note 4(23))*	**(897)**	(644)
Loss on disposal of fixed assets	**4,431**	2,919
Financial expenses, net	**28,078**	20,094
Investment (income)/loss	**(2,026)**	2,959
Decrease/(Increase) in deferred tax assets	**73,783**	(104,410)
Increase in inventories	**(11,473)**	(57,156)
Increase in specific reserve	**77**	1,115
Decrease/(increase) in operating receivables	**264,196**	(298,939)
Decrease in operating payables	**(268,225)**	(45,298)
Net cash flows from operating activities	**(257,014)**	(725,167)

(b) Significant investing and financing activities that do not involve cash receipts and payments

	For the six months period ended 30 June 2014	2013
Endorsed bills to settle payables for construction and equipment	**161,700**	165,200

(c) Movement in cash and cash equivalents

	For the six months period ended 30 June 2014	2013
Cash at the end of the period	**62,995**	40,649
Less: cash at the beginning of the period	**(85,797)**	(162,027)
Net decrease in cash	**(22,802)**	(121,378)

4 NOTES TO THE FINANCIAL STATEMENTS (continued)

(41) Supplementary information to the cash flow statement (continued)

(d) Cash

	30 June 2014	31 December 2013
Cash on hand	**21**	27
Deposits that can be readily drawn on demand	**62,974**	85,770
Cash at the end of the period/year	**62,995**	85,797
Add: Restricted deposits	**–**	20,000
Cash at bank and on hand at the end of the period/year	**62,995**	105,797

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.

(a) Segment information as at and for the six months period ended 30 June 2014 is as follows:

	For the six months period ended 30 June 2014								
	Polyester chips	Bottle-grade polyester chips	Staple fibre and hollow fibre	Filament	PTA	Others	Elimination	Unallocated	Total
Revenue from external customers	2,792,869	1,620,962	3,072,230	157,873	–	280,489	–	–	7,924,423
Inter-segment revenue	–	–	–	–	2,730,949	–	(2,730,949)	–	–
Subtotal of reportable segments revenue	2,792,869	1,620,962	3,072,230	157,873	2,730,949	280,489	(2,730,949)	–	7,924,423
Reportable segments profit/(loss)	(11,032)	21,763	56,527	(58,508)	(88,927)	(171,455)	–	–	(251,632)
Assets impairment losses	164,028	–	–	–	–	860,496	–	–	1,024,524
Interest income	–	–	–	–	–	–	–	(31,881)	(31,881)
Interest expenses	–	–	–	–	–	–	–	38,882	38,882
Investment income of a joint venture	–	–	–	–	–	–	–	2,026	2,026
Depreciation and amortisation	35,082	8,652	36,966	2,570	70,791	215,098	–	11,638	380,797
Income tax expenses	–	–	–	–	–	–	–	73,783	73,783
Long-term equity investments in a joint venture	–	–	–	–	–	–	–	586,876	586,876
Reportable segments assets including inventory, fixed assets, intangible assets other than land use right and long-term prepaid expenses	582,986	255,604	1,000,277	98,770	678,558	1,782,502	–	787,478	5,186,175

5 SEGMENT INFORMATION (continued)

(b) 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								
	Polyester chips	Bottle-grade polyester chips	Staple fibre and hollow fibre	Filament	PTA	Others	Elimination	Unallocated	Total
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	–	11,602	245,653
Income tax expenses	–	–	–	–	–	–	–	(104,116)	(104,116)
Long-term equity investments in a joint venture	–	–	–	–	–	–	–	581,860	581,860
Reportable segments Assets including inventory, fixed assets, intangible assets other than land use right and long-term prepaid expenses	785,969	240,823	876,652	236,523	889,646	1,430,774	–	699,461	5,159,848

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.

(c) ***Reconciliations of reportable segment assets***

	30 June 2014	31 December 2013
Total segment assets including inventory, fixed assets, intangible assets other than land use right and long-term prepaid expenses	**5,186,175**	5,427,899
Current assets excluding inventory	**2,636,454**	2,999,571
Long-term equity investments	**586,876**	584,850
Construction in progress	**276,618**	1,279,939
Intangible assets — land use right	**153,665**	263,262
Deferred income tax assets	**–**	73,783
Total assets	**8,839,788**	10,629,304

5 **SEGMENT INFORMATION (continued)**

(d) Reconciliations of reportable segment losses

	Six months period ended 30 June 2014	2013
Gross loss for reportable segments	**(251,632)**	(231,357)
Movement of production safety fund	**(77)**	–
Selling and distribution expenses	**(120,321)**	(109,521)
General and administrative expenses excluding repair and maintenance fee	**(265,301)**	(237,459)
Financial (expenses)/income — net	**(8,024)**	1,943
Assets impairment (loss)/reversal excluding provision for decline in the value of inventories	**(1,024,524)**	15
Investment income/(loss)	**2,026**	(2,959)
Non-operating income	**3,063**	1,305
Non-operating expenses	**(11,706)**	(17,528)
Loss before income tax	**(1,676,496)**	(595,561)

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 Chengyu	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.

6 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

(1) Information of the parent company (continued)

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

	31 December 2013	Increase in the period	Decrease in the period	**30 June 2014**
Sinopec Corp.	116.6 billion	–	–	**116.6 billion**

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

	30 June 2014		31 December 2013	
	Share holding (%)	**Voting rights (%)**	Share holding (%)	Voting rights (%)
Sinopec Corp	**40.25%**	**40.25%**	40.25%	40.25%

(2) Information of joint venture

	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 Gaoshan	Manufacturing and distributing of Crude terephthalic acid (CTA) and Pure terephthalic acid (PTA)	USD250 million	40%	40%	58665581-2

(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

6 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

(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 2014 Amount	2014 % of the total amount of similar transactions	2013 Amount	2013 % 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	**6,557,316**	**91.17**	5,660,824	66.99
Purchase of raw materials	Purchase of goods	CPC and its subsidiaries	Based on normal commercial terms or relevant agreements	**77,229**	**1.07**	6,634	0.08
Commission fee	Receiving of services	Sinopec Corp. and its subsidiaries	Based on normal commercial terms or relevant agreements	**1,119**	**100.00**	10,885	100.00
Construction fee	Receiving of services	CPC and its subsidiaries	Based on normal commercial terms or relevant agreements	**10,263**	**20.06**	38,023	22.65
Miscellaneous services	Receiving of services	CPC and its subsidiaries	Based on normal commercial terms or relevant agreements	**5,577**	**100.00**	5,222	100.00
Sale of products	Sale of products	CPC and its subsidiaries	Based on normal commercial terms or relevant agreements	**28,295**	**0.36**	170,436	1.95

(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 2014 Amount	2014 % of the total amount of similar transactions	2013 Amount	2013 % of the total amount of similar transactions
Insurance premium	Insurance	CPC and its subsidiaries	Based on normal commercial terms or relevant agreements	**341**	**100.00**	7,390	100.00
Interest income	Deposit	Sinopec Finance	Based on normal commercial terms or relevant agreements	**429**	**1.75**	598	2.75
Interest income	Deposit	China CITIC Bank	Based on normal commercial terms or relevant agreements	**327**	**1.34**	365	1.68
Other income	Compensation fee *(Note 4(11))*	CPC and its subsidiaries	Based on normal commercial terms or relevant agreements	**7,400**	**100.00**	–	–
Interest expenses	Borrowings	Sinopec Finance	Based on normal commercial terms or relevant agreements	**17,593**	**45.25**	11,487	52.15
Borrowings obtained	Borrowings	Sinopec Finance	Based on normal commercial terms or relevant agreements	**2,000,000**	**60.66**	500,000	42.86
Borrowings repaid	Borrowings	Sinopec Finance	Based on normal commercial terms or relevant agreements	**1,900,000**	**74.07**	300,000	74.07

6 **RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)**

(4) Related party transactions (continued)

(b) Other related party transactions (continued)

For the six months period ended 30 June 2014, the Company borrowed loans from Sinopec Finance totally amounting to RMB2,000,000 thousand, bearing the interest at 5.04%,5.32% and 5.40 % per annum (the six months period ended 30 June 2013: RMB500,000 thousand, bearing the interest at 5.04% and 5.32% per annum).

For the six months period ended 30 June 2014, the Company repaid loans to Sinopec Finance totally amounting to RMB1,900,000 thousand (the six months period ended 30 June 2013: 300,000 thousand).

(c) Remuneration of key management personnel

	For the six months period ended 30 June 2014	For the six months period ended 30 June 2013
Remuneration	**1,203**	1,281
Retirement scheme contribution	**129**	124
	1,332	1,405

6 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

(5) Receivables from and payables to related parties

		30 June 2014	31 December 2013
Bank deposits	Sinopec Finance	**5,078**	2,281
	China CITIC Bank	**14,085**	21,715
		19,163	23,996
Accounts receivable	CPC and its subsidiaries	**15**	7,094
Other receivables	CPC and its subsidiaries	**138,798**	–
Advances to suppliers	CPC and its subsidiaries	**–**	15,000
	Sinopec Corp. and its subsidiaries	**21,627**	–
		21,627	15,000
Accounts payable	Sinopec Corp. and its subsidiaries	**346,998**	488,565
	CPC and its subsidiaries	**38**	96
		347,036	488,661
Other payables	Sinopec Corp. and its subsidiaries	**1,588**	1,436
	CPC and its subsidiaries	**24,550**	40,654
		26,138	42,090
Advances from customers	CPC and its subsidiaries	**5,136**	4,256
Short-term borrowings	Sinopec Finance	**800,000**	700,000
Interests payable	Sinopec Finance	**1,198**	1,078
Notes payable	CPC and its subsidiaries	**300,000**	400,000

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 2014. 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 2014	31 December 2013
Buildings, machinery and equipment	**200,766**	233,050

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

	30 June 2014	31 December 2013
Buildings, machinery and equipment	**156,294**	300,676

(2) *Operating lease commitments*

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

	30 June 2014	31 December 2013
Within one year	**117**	1,564
Between 1 and 2 years	**–**	117
	117	1,681

(3) *Investment commitments*

The Company had outstanding commitments of USD8,000 thousand in respect of its investment in FEYP as at 30 June 2014 not provided for in the financial statements (31 December 2013: USD8,000 thousand).

(4) *External guarantees and commitments*

In light of its 40% equity interest in FEYP, the Company will guarantee 40% of the liabilities of FEYP under a loan facility up to USD350 million, which was discussed and approved in the general meeting of shareholders on 14 June 2013. As at 30 June 2014, FEYP has not borrowed in any loans under this facility.

(5) *Fulfillment of commitments for the previous period*

The Company has fulfilled the capital and operating lease commitments as at 31 December 2013.

9 **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 2014 and the year ended 31 December 2013, the Company did not enter into any forward exchange contracts or currency swap contracts.

As at 30 June 2014 and 31 December 2013, the carrying amounts in RMB equivalent of the Company's assets and liabilities denominated in foreign currencies are summarised below:

	30 June 2014		
	USD	**Others**	**Total**
Financial assets denominated in foreign currency —			
Cash at bank and on hand	**234**	**–**	**234**
Receivables	**69,637**	**–**	**69,637**
	69,871	**–**	**69,871**
Financial liabilities denominated in foreign currency —			
Short-term borrowings	**–**	**–**	**–**
Payables	**160,231**	**–**	**160,231**
	160,231	**–**	**160,231**

9 **FINANCIAL INSTRUMENT AND RISK (continued)**

(1) Market risk (continued)

(a) Foreign exchange risk (continued)

	31 December 2013 USD	Others	Total
Financial assets denominated in foreign currency —			
Cash at bank and on hand	231	–	231
Receivables	104,272	–	104,272
	104,503	–	104,503
Financial liabilities denominated in foreign currency —			
Short-term loans	182,907	–	182,907
Payables	412,772	–	412,772
	595,679	–	595,679

As at 30 June 2014, 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 2014 would have been approximately RMB4,518 thousand (31 December 2013: RMB24,559 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 2014 and the year ended 31 December 2013, the Company did not enter into any interest rate swap agreements.

9 **FINANCIAL INSTRUMENT AND RISK (continued)**

(1) Market risk (continued)

(b) Interest rate risk (continued)

Fixed rate financial instruments:

	30 June 2014		31 December 2013	
	Annual interest rate	**Amount**	Annual interest rate	Amount
Financial assets				
— Cash at bank and on hand	**–**	**–**	3.08%	20,000

Floating rate financial instrument:

	30 June 2014		31 December 2013	
	Annual interest rate	**Amount**	Annual interest rate	Amount
Financial assets				
— Cash at bank and on hand	**0.35%**	**62,974**	0.35%	85,770
Financial liabilities				
— Short-term borrowings	**5.04% to 5.60%**	**1,865,000**	1.30% to 5.32%	1,602,907

For the six months period ended 30 June 2014, 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 RMB5,771 thousand (2013: RMB12,171 thousand).

(2) Credit risk

Credit risk is managed on the grouping basis. Credit risk mainly arises from cash at bank and on hand, accounts receivable, other receivables and 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 receivable 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.

9 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 2014				
	Within 1 year	**1 to 2 years**	**2 to 4 years**	**Over 4 years**	**Total**
Financial assets —					
Cash at bank and on hand	**62,995**	**–**	**–**	**–**	**62,995**
Receivables	**2,435,720**	**–**	**–**	**–**	**2,435,720**
	2,498,715	**–**	**–**	**–**	**2,498,715**
Financial liabilities —					
Short-term borrowings	**1,931,182**	**–**	**–**	**–**	**1,931,182**
Payables	**1,288,659**	**–**	**–**	**–**	**1,288,659**
	3,219,841	**–**	**–**	**–**	**3,219,841**

	31 December 2013				
	Within 1 year	1 to 2 years	2 to 4 years	Over 4 years	Total
Financial assets —					
Cash at bank and on hand	105,797	–	–	–	105,797
Receivables	2,708,245	–	–	–	2,708,245
	2,814,042	–	–	–	2,814,042
Financial liabilities —					
Short-term borrowings	1,624,446	–	–	–	1,624,446
Payables	1,574,905	–	–	–	1,574,905
	3,199,351	–	–	–	3,199,351

(4) *Fair value*

As at 30 June 2014 and 31 December 2013, 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 2014
(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 **2014**	2013
Net loss on disposal of non-current assets	**(4,431)**	(2,919)
Government grants recognised in profit or loss for the period	**897**	683
Non-operating income/(expenses) other than aforesaid items	**(5,109)**	(13,987)
	(8,643)	(16,223)
Effect of income tax	**–**	4,056
	(8,643)	(12,167)

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.

2 DIFFERENCES IN THE FINANCIAL STATEMENTS 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 2014	For the six months period ended 30 June 2013	**30 June 2014**	31 December 2013
Amounts under PRC GAAP	**(1,750,279)**	(491,445)	**5,346,286**	7,096,488
Discrepancy and amount —				
Government grants (a)	**1,416**	1,415	**(31,608)**	(33,024)
Specific reserve (b)	**77**	1,115	**–**	–
Tax effects of the above adjustments	**–**	–	**–**	–
Amounts under IFRS	**(1,748,786)**	(488,915)	**5,314,678**	7,063,464

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

2 DIFFERENCES IN THE FINANCIAL STATEMENTS PREPARED UNDER DIFFERENT ACCOUNTING STANDARDS (continued)

(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.

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 30 June 2014	For the six months period ended 30 June 2013	**For the six months period ended 30 June 2014 (Yuan/share)**	For the six months period ended 30 June 2013 (Yuan/share)	**For the six months period ended 30 June 2014 (Yuan/share)**	For the six months period ended 30 June 2013 (Yuan/share)
Net loss attributable to the Company's ordinary equity shareholders	**(28.13)**	(5.92)	**(0.292)**	(0.081)	**(0.292)**	(0.081)
Net loss attributable to the Company's ordinary equity shareholders after deduction of non-recurring profit or loss	**(27.99)**	(5.77)	**(0.290)**	(0.080)	**(0.290)**	(0.080)

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

4 DESCRIPTION ON CHANGES OF MAJOR FINANCIAL STATEMENTS ITEMS

(1) Balance sheet item

Item	30 June 2014	31 December 2013	Change (amount)	Change (%)	Reason for change
Assets:					
Cash at bank and on hand	**62,995**	105,797	(42,802)	−40%	Increase in net cash outflow in operating activities during the period
Notes receivable	**2,155,563**	2,558,598	(403,035)	−16%	Discounting part of notes receivable in the period
Other receivables	**163,015**	7,813	155,202	1,986%	Increase in other receivables from related parties during the period
Other current assets	**108,845**	158,465	(49,620)	−31%	Utilisation of VAT input brought forward from prior year during the period
Fixed assets	**3,846,744**	3,963,871	(117,127)	−3%	Transfers from construction in progress to fixed assets, provision of impairment loss on the fixed assets and normal depreciation during the period
Construction in progress	**276,618**	1,279,939	(1,003,321)	−78%	Transfers from construction in progress to fixed assets during the period
Long-term prepaid expenses	**–**	135,503	(135,503)	−100%	Long-term prepaid expenses lost economic value as a result of poor performance and thus are fully amortised in the period
Deferred tax assets	**–**	73,783	(73,783)	−100%	Write-off of tax losses that were previously recognised as deferred tax assets
Liabilities and shareholders' equity:					
Short-term borrowings	**1,865,000**	1,602,907	262,093	16%	Increase in borrowings during the period
Notes payable	**300,000**	400,000	(100,000)	−25%	Settlement of certain bank notes during the period
Accounts payable	**760,762**	800,758	(39,996)	−5%	Purchase of goods decreased as at 30 June 2014
Advances from customers	**262,944**	310,086	(47,142)	−15%	Advances from customers decreased during the period
Other payables	**227,897**	374,147	(146,250)	−39%	Decrease in purchase of equipment at the end of the period
Accumulate losses	**(2,002,415)**	(252,136)	(1,750,279)	694%	Loss during the period

Supplementary Information (continued)

For the six months period ended 30 June 2014

(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 2014**	For six months period ended 30 June 2013	Change (amount)	Change (%)	Reason for change
Revenue	**7,924,423**	8,717,991	(793,568)	–9%	Decrease of sales volume during the period
Cost of sales	**8,046,864**	8,812,475	(765,611)	–9%	Decrease of material cost during the period
Taxes and surcharges	**2,764**	29	2,735	9,431%	Increase of urban construction tax and educational surcharges due to more turnover tax payment during the period
Selling and distribution expenses	**120,321**	109,521	10,800	10%	Increase of freight during the period
General and administrative expenses	**391,805**	374,303	17,502	5%	Increase of staff cost during the period
Financial expense/(income) — net	**8,024**	(1,943)	9,967	–513%	Increase in interest expenses during the period
Asset impairment loss/ (reversal)	**1,024,524**	(15)	1,024,539	6,830,260%	Provision for impairment loss of fixed assets and intangible assets with impairment indicators
Investment income/(loss)	**2,026**	(2,959)	4,985	–168%	The joint venture made more profit during the period
Non-operating income	**3,063**	1,305	1,758	135%	Increase in government grants during the period
Non-operating expenses	**11,706**	17,528	(5,822)	–33%	Decrease in other expensed during the period
Income tax expenses	**73,783**	104,116	(30,333)	–29%	Decrease in write-off of deferred tax assets arising from tax losses that were recognised in previous year

(B) Prepared in accordance with International Financial Reporting Standards

Report on Review of Condensed Interim Financial Information

pwc 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 141, which comprises the interim condensed statement of financial position of Sinopec Yizheng Chemical Fibre Company Limited (the "Company") as at 30 June 2014 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.

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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, 22 August 2014

Statement of comprehensive income

	Note	Six months period ended 30 June 2014 RMB'000	2013 RMB'000
Revenue	6	**7,924,423**	8,717,991
Cost of sales		**(8,176,055)**	(8,949,348)
Gross loss		**(251,632)**	(231,357)
Other income	7	**3,970**	2,279
Distribution costs		**(120,321)**	(109,521)
Administrative expenses		**(1,289,826)**	(236,329)
Other expenses		**(11,196)**	(17,087)
Operating loss		**(1,669,005)**	(592,015)
Finance income	8	**31,881**	25,848
Finance costs	8	**(39,905)**	(23,905)
Net finance (expenses)/income		**(8,024)**	1,943
Share of profit/(loss) of a joint venture		**2,026**	(2,959)
Loss before income tax	9	**(1,675,003)**	(593,031)
Income tax expense	10	**(73,783)**	104,116
Loss attributable to owners of the Company for the period		**(1,748,786)**	(488,915)
Other comprehensive income for the period, net of tax		**–**	–
Total comprehensive loss attributable to owners of the Company for the period		**(1,748,786)**	(488,915)
Loss per share attributable to owners of the Company			
Basic and diluted loss per share (in RMB)	12	**(0.291)**	(0.081)
Dividends	11	**–**	–

The notes on pages 126 to 141 form an integral part of this interim financial information.

The condensed interim financial information on pages 121 to 141 was approved by the Board of Directors on 22 August 2014 and was signed on its behalf.

Lu Liyong
Director

Li Jianping
Director

Statement of financial position

	Note	30 June 2014 RMB'000	31 December 2013 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	*13*	**4,130,676**	5,387,194
Lease prepayments		**153,665**	263,262
Investments in a joint venture		**586,876**	584,850
Deferred tax assets	*19*	**–**	73,783
Total non-current assets		**4,871,217**	6,309,089
Current assets			
Inventories		**1,332,117**	1,320,644
Trade and other receivables	*15*	**2,573,459**	2,893,774
Deposits with banks		**–**	20,000
Cash and cash equivalents	*14*	**62,995**	85,797
Total current assets		**3,968,571**	4,320,215
Total assets		**8,839,788**	10,629,304
EQUITY			
Share capital	*16*	**6,000,000**	6,000,000
Share premium	*16*	**518,833**	518,833
Other reserves	*17*	**230,246**	230,169
Retained earnings		**(1,434,401)**	314,462
Total equity		**5,314,678**	7,063,464

Statement of financial position (continued)

	Note	30 June 2014 RMB'000	31 December 2013 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income	*21*	**60,021**	61,333
Current liabilities			
Trade and other payables	*20*	**1,600,089**	1,901,600
Borrowings	*18*	**1,865,000**	1,602,907
Total current liabilities		**3,465,089**	3,504,507
Total liabilities		**3,525,110**	3,565,840
Total equity and liabilities		**8,839,788**	10,629,304
Net current assets		**503,482**	815,708
Total assets less current liabilities		**5,374,699**	7,124,797

The notes on pages 126 to 141 form an integral part of this interim financial information.

The condensed interim financial information on pages 121 to 141 were approved by the Board of Directors on 22 August 2014 and were signed on its behalf.

Lu Liyong
Director

Li Jianping
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
Balance at 1 January 2014	**6,000,000**	**518,833**	**230,169**	**314,462**	**7,063,464**
Total comprehensive expense for the six months period ended 30 June 2014	**–**	**–**	**–**	**(1,748,786)**	**(1,748,786)**
Specific reserve accrued *(Note 17)*	**–**	**–**	**77**	**(77)**	**–**
Balance at 30 June 2014	**6,000,000**	**518,833**	**230,246**	**(1,434,401)**	**5,314,678**
Balance at 1 January 2013	4,000,000	2,518,833	228,802	1,765,848	8,513,483
Total comprehensive expense for the six months period ended 30 June 2013	–	–	–	(488,915)	(488,915)
Specific reserve accrued *(Note 17)*	–	–	1,115	(1,115)	–
Balance at 30 June 2013	4,000,000	2,518,833	229,917	1,275,818	8,024,568

The notes on pages 126 to 141 form an integral part of this interim financial information.

Statement of cash flows

	Note	Six months period ended 30 June 2014 RMB'000	2013 RMB'000
Cash flows from operating activities			
— Cash flows from operations		**(257,014)**	(724,873)
— Interests paid		**(37,068)**	(20,877)
— Income tax paid		**–**	(294)
Cash flows used in operating activities		**(294,082)**	(746,044)
Cash flows from investing activities			
— Purchases of property, plant and equipment		**(11,530)**	(122,659)
— Proceeds from disposal of property, plant and equipment		**1,202**	1,074
— Interest received		**1,625**	1,059
— Government grants received		**1,000**	918
— Change of deposits with banks		**20,000**	(20,000)
Cash flows generated from/(used in) investing activities		**12,297**	(139,608)
Cash flows from financing activities			
— Proceeds from borrowings		**3,295,411**	1,357,724
— Repayments of borrowings		**(3,035,088)**	(595,128)
Cash flows generated from financing activities		**260,323**	762,596
Net decrease in cash and cash equivalents		**(21,462)**	(123,056)
Cash and cash equivalents at 1 January		**85,797**	162,027
Exchange (losses)/gains		**(1,340)**	1,678
Cash and cash equivalents at 30 June	*14*	**62,995**	40,649

The notes on pages 126 to 141 form an integral part of this 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 joint stock 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 22 August 2014.

Pursuant to a notice from CPC on 27 May 2014, CPC is planning a significant assets reorganisation in connection with the Company which will involve the assets and liabilities of CPC's oilfield engineering business. Given the significant uncertainty, the trading of shares of the Company was suspended since 28 May 2014. Up to the date of this report, the detailed reorganisation plan is still under discussion.

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

2 BASIS OF PREPARATION

This condensed interim financial information for the six months period ended 30 June 2014 has 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 2013, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

2.1 Going-concern basis

For the six months period ended 30 June 2014, the Company incurred a net loss of RMB1,748,786 thousand. The Company has recorded accumulated losses of RMB1,434,401 thousand as at 30 June 2014. Taking into account the Company's ability to generate cash from operating activities, undrawn borrowing facilities of approximately RMB935 million and planned significant restructure of the Company as mentioned in Note 1, the directors believe that the Company can meet its liabilities as and when they fall due and refinance its borrowings. Consequently, the directors have prepared the interim financial information on a going concern basis.

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 2013, 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 2014 and adopted by the Company.

The following amendment to standard is mandatory for the first time for the financial year beginning 1 January 2014 and has material impact on the Company:

Amendment to IAS 36, "Impairment of assets' on recoverable amount disclosures". This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The Company provided for impairment of certain property, plant and equipment in the year of 2011 and six months period ended 30 June 2014 and the amendment to disclosure information is applied retrospectively.

The following amendment and interpretation to existing standards is mandatory for the first time for the financial year beginning 1 January 2014 and has no material impact on the Company:

Amendment to IAS 32 "Financial instruments: Presentation" on asset and liability offsetting. These amendments are to the application guidance in IAS 32, 'Financial instruments: Presentation', and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.

IFRIC 21, "Levies". This is an interpretation of IAS 37, "Provisions, contingent liabilities and contingent assets". IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

The following amendments to existing standards are mandatory for the first time for the financial year beginning 1 January 2014, but are not currently relevant for the Company:

- Amendments to IFRS 10, 12 and IAS 27 "Consolidation for investment entities"
- Amendment to IAS 39 "Financial Instruments: Recognition and Measurement' — 'Novation of derivatives"

(b) Standards, amendments and interpretations to existing standards that are not yet effective for the financial year beginning 1 January 2014 and have not been early adopted.

There are no 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 2013.

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 #		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
For the six months period ended 30 June														
Revenue from external customers	**2,792,869**	3,066,941	**1,620,962**	1,874,412	**3,072,230**	3,038,086	**157,873**	390,597	**–**	32	**280,489**	347,923	**7,924,423**	8,717,991
Inter-segment revenue	**–**	–	**–**	–	**–**	–	**–**	–	**2,730,949**	3,324,413	**–**	–	**2,730,949**	3,324,413
Reportable segment revenue	**2,792,869**	3,066,941	**1,620,962**	1,874,412	**3,072,230**	3,038,086	**157,873**	390,597	**2,730,949**	3,324,445	**280,489**	347,923	**10,655,372**	12,042,404
Gross (loss)/profit from external customers	**(11,032)**	(94,944)	**21,763**	18,207	**56,527**	(30,355)	**(58,508)**	(83,331)	**–**	2	**(171,455)**	(45,499)	**(162,705)**	(235,920)
Inter-segment profit	**–**	–	**–**	–	**–**	–	**–**	–	**(88,927)**	4,563	**–**	–	**(88,927)**	4,563
Reportable segment (loss)/ profit	**(11,032)**	(94,944)	**21,763**	18,207	**56,527**	(30,355)	**(58,508)**	(83,331)	**(88,927)**	4,565	**(171,455)**	(45,499)	**(251,632)**	(231,357)
Depreciation and amortisation	**35,082**	35,927	**8,652**	5,939	**36,966**	26,973	**2,570**	1,654	**70,791**	83,696	**215,098**	79,862	**369,159**	234,051
Impairment loss	**164,028**	–	**–**	–	**–**	–	**–**	–	**–**	–	**860,496**	–	**1,024,524**	–
As at 30 June 2014 and 2013														
Reportable segment assets	**582,986**	785,969	**255,604**	240,823	**1,000,277**	876,652	**98,770**	236,523	**678,558**	889,646	**1,782,502**	1,430,774	**4,398,697**	4,460,387

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, assets and other material items

	Six months period ended 30 June 2014 RMB'000	Six months period ended 30 June 2013 RMB'000
Revenue		
Revenue for reportable segments	**10,655,372**	12,042,404
Elimination of inter-segment revenue	**(2,730,949)**	(3,324,413)
Turnover	**7,924,423**	8,717,991

	Six months period ended 30 June 2014 RMB'000	Six months period ended 30 June 2013 RMB'000
Loss		
Loss for reportable segments	**(251,632)**	(231,357)
Other income	**3,970**	2,279
Distribution costs	**(120,321)**	(109,521)
Administrative expenses	**(1,289,826)**	(236,329)
Other expenses	**(11,196)**	(17,087)
Net finance (expenses)/income	**(8,024)**	1,943
Share of profit/(loss) of a joint venture	**2,026**	(2,959)
Loss before income tax	**(1,675,003)**	(593,031)

	Six months period ended 30 June 2014 RMB'000	Six months period ended 30 June 2013 RMB'000
Depreciation and amortisation		
Depreciation and amortisation for reportable segments	**369,159**	234,051
Unallocated depreciation and amortisation	**11,638**	11,602
Total depreciation and amortisation	**380,797**	245,653

5 **SEGMENT INFORMATION (continued)**

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

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Assets		
Assets for reportable segments	**4,398,697**	4,898,663
Unallocated assets	**787,478**	529,236
	5,186,175	5,427,899
Other non-current assets	**1,017,159**	2,201,834
Trade and other receivables	**2,573,459**	2,893,774
Deposits with banks	**–**	20,000
Cash and cash equivalents	**62,995**	85,797
Total assets	**8,839,788**	10,629,304

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 2014 RMB'000	Six months period ended 30 June 2013 RMB'000
Government grants	**2,312**	2,098
Others	**1,658**	181
	3,970	2,279

8 **FINANCE INCOME AND COSTS**

	Six months period ended 30 June 2014 RMB'000	Six months period ended 30 June 2013 RMB'000
Interest income	**31,881**	21,714
Net foreign exchange gain	**–**	4,134
Finance income	**31,881**	25,848
Interest expenses	**(38,882)**	(23,351)
Net foreign exchange loss	**(527)**	–
Others	**(496)**	(554)
Finance expenses	**(39,905)**	(23,905)
Net finance (expenses)/income	**(8,024)**	1,943

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	
	2014	2013
	RMB'000	RMB'000
Cost of inventories	**8,044,803**	8,949,348
Depreciations	**376,827**	224,571
Impairment losses of property, plant and equipment	**1,024,524**	–
Amortisation of lease prepayment	**3,970**	4,238
Net loss on disposal of property, plant and equipment	**4,431**	2,919

10 INCOME TAX EXPENSE

Income tax in the statement of comprehensive income represents:

	Six months period ended 30 June	
	2014	2013
	RMB'000	RMB'000
Current income tax		
— Adjustment in respect of prior year	**–**	294
Deferred income tax	**73,783**	(104,410)
	73,783	(104,116)

The charge for PRC income tax for the six months period ended 30 June 2014 is calculated at the rate of 25% (six months period ended 30 June 2013: 25%). 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.

According to the accounting policy of the Company, deferred tax assets are only recognised to the extent that it is probable that taxable profit will be available in the future. Considering the losses incurred in last two years and six months period ended 30 June 2014 and uncertainty of future market, management of the Company assess it is significantly uncertain whether the Company can make sufficient taxable income to utilise those deductible temporary differences and thus determine to write off the deferred income tax assets amounted to RMB 73,783 thousand in the six months period ended 30 June 2014.

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 2014 (six months period ended 30 June 2013: 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 2014 and 2013.

	Six months period ended 30 June	
	2014	2013
	RMB'000	RMB'000
Loss attributable to owners of the Company	**(1,748,786)**	(488,915)
Weighted average number of ordinary shares in issue	**6,000,000,000 shares**	6,000,000,000 shares
Basic and diluted loss per share (RMB)	**(0.291)**	(0.081)

13 PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment RMB'000	Construction in progress RMB'000	Other intangible assets RMB'000	Total RMB'000
Carrying amount as at 1 January 2014	**4,099,374**	**1,279,939**	**7,881**	**5,387,194**
Additions	**995,732**	**170,986**	**178,575**	**1,345,293**
Disposals	**(32,503)**	**–**	**–**	**(32,503)**
Transfer to fixed assets	**–**	**(1,174,307)**	**–**	**(1,174,307)**
Depreciation	**(376,260)**	**–**	**(567)**	**(376,827)**
Impairment charge	**(839,599)**	**–**	**(178,575)**	**(1,018,174)**
Carrying amount as at 30 June 2014	**3,846,744**	**276,618**	**7,314**	**4,130,676**
Carrying amount as at 1 January 2013	3,495,550	1,870,881	24,682	5,391,113
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)
Carrying amount as at 30 June 2013	3,353,289	1,825,907	13,669	5,192,865

13 PROPERTY, PLANT AND EQUIPMENT (continued)

Given the rapid increase of raw materials prices, the profit margin of polyester chip products shrink sharply in the second quarter of 2014. The Company assessed the recoverable amount of its property, plant and equipment in relation to polyester chip production facilities as at 30 June 2014 and as a result the carrying amount of property, plant and equipment was written down by 164,028 thousand. The estimate of recoverable amount was based on the value in use of these facilities. In assessing value in use, the discount rate used to calculate the present value of estimated future cash flows is 13%. In addition, the impairment losses were also determined by reference to a revaluation on these facilities performed by an independent valuer registered in the PRC, China United Assets Appraisal Corporation.

Furthermore, in light of the significant and continuous drop of the price of 1,4-butanediol product since April 2014 as a result of fierce competition with coal chemical products and severe over-capacity in the industry, and lack of competitively in terms of production cost of the Company's 1,4-butanediol product in current market due to technological reason, the Company assessed the recoverable amount of maleic anhydride and 1,4-butanediol production facilities as at 30 June 2014 and decided to shut down 1,4-butanediol production facilities that does not result in economic benefits. Based on the assessment of the recoverable amount of, the carrying amount of the property, plant and equipment was written down by RMB 1,024,524 thousand. The estimate of recoverable amount was based on the value in use of these facilities. In assessing value in use, the discount rate used to calculate the present value of estimated future cash flows is 13%. In addition, the impairment losses were also determined by reference to a revaluation on these facilities performed by an independent valuer registered in the PRC, China United Assets Appraisal Corporation.

14 CASH AND CASH EQUIVALENTS

	30 June 2014 RMB'000	31 December 2013 RMB'000
Cash on hand	**21**	27
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")	**5,078**	2,281
— China CITIC Bank	**14,085**	21,715
Balances with third-party banks and other financial institutions with an initial term less than three months	**43,811**	61,774
	62,995	85,797

15 TRADE AND OTHER RECEIVABLES

	30 June 2014 RMB'000	31 December 2013 RMB'000
Trade receivables	116,234	133,446
Notes receivable	2,155,563	2,558,598
Amounts due from the related parties — trade	21,642	22,094
	2,293,439	2,714,138
Other receivables, deposits and prepayments	142,115	180,930
Amount due from the related parties — Non-trade	138,798	–
	280,913	180,930
Less: allowance for doubtful debts	(893)	(1,294)
	280,020	179,636
	2,573,459	2,893,774

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 2014 and 31 December 2013, the ageing analysis of the trade receivables, notes receivable, amounts due from the related parties — trade, based on the invoice date were as follows:

	30 June 2014 RMB'000	31 December 2013 RMB'000
Within 6 months	2,293,034	2,710,430
6 to 12 months	405	3,708
	2,293,439	2,714,138

16 SHARE CAPITAL AND SHARE PREMIUM

	Number of shares (thousands)	Ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
At 1 January 2014 and 30 June 2014	6,000,000	6,000,000	518,833	6,518,833
At 1 January 2013 and 30 June 2013	4,000,000	4,000,000	2,518,833	6,518,833

17 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 2014, the Company transferred RMB77 thousand from retained earnings to reserve for the safety production fund (six-months period ended 30 June 2013: RMB1,115 thousand).

For the six-months period ended 30 June 2014, no transfers were made to the statutory surplus reserve, or the discretionary surplus reserve (six-months period ended 30 June 2013: Nil).

18 BORROWINGS

	30 June 2014 RMB'000	31 December 2013 RMB'000
Current — unsecured	**1,865,000**	1,602,907

Movements in borrowings is analysed as follows:

	RMB'000
Six months period ended 30 June 2014	
Opening amount as at 1 January 2014	1,602,907
Proceeds from borrowings	3,295,411
Repayments of borrowings	(3,035,088)
Foreign exchange losses	1,770
Closing amount as at 30 June 2014	1,865,000

Interest expenses on borrowings for the six months period ended 30 June 2014 is RMB38,882 thousand (six-months period ended 30 June 2013: RMB23,351 thousand).

The Company has the following undrawn borrowing facilities:

	30 June 2014 RMB'000	31 December 2013 RMB'000
Floating rate:	**935,000**	550,000

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.

19 DEFERRED INCOME TAX ASSETS

	Six months period ended 30 June	
	2014	2013
	RMB'000	RMB'000
Opening balance at 1 January	**73,783**	312,039
Charged to profit	**(73,783)**	104,410
Closing balance at 30 June	**–**	416,449

20 TRADE AND OTHER PAYABLES

	30 June 2014	31 December 2013
	RMB'000	RMB'000
Trade payables	**671,534**	617,927
Amounts due to the related parties — trade	**652,172**	892,917
	1,323,706	1,510,844
Amounts due to the related parties — non-trade	**27,336**	43,168
Other payables and accrued expenses	**249,047**	347,588
	276,383	390,756
	1,600,089	1,901,600

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

	30 June 2014	31 December 2013
	RMB'000	RMB'000
Due within 3 months	**1,071,615**	1,439,947
4 to 6 months	**226,460**	29,946
7 to 12 months	**8,323**	24,458
Over 12 months	**17,308**	16,493
	1,323,706	1,510,844

21 DEFERRED INCOME

	Six months period ended 30 June	
	2014	2013
	RMB'000	RMB'000
At 1 January	**61,333**	55,103
Government grants received during the period	**1,000**	918
Recognised in the statement of comprehensive income for the period	**(2,312)**	(2,098)
At 30 June	**60,021**	53,923

22 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 year ended 30 June 2014. 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.

23 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 2014 not provided for in the interim financial report as follows:

	30 June 2014 RMB'000	31 December 2013 RMB'000
Authorised and contracted for	**200,766**	233,050
Authorised but not contracted for	**156,294**	300,676
	357,060	533,726

(b) *Investment commitments*

The Company had outstanding commitments of USD8,000 thousand in respect of its investment in FEYP not provided for as at 30 June 2014 (31 December 2013: USD8,000 thousand).

24 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, joint ventures and associates of CPC and Sinopec Corp and other subsidiaries and joint ventures 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.

24 **RELATED-PARTY TRANSACTIONS (continued)**

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

(a) Purchases of goods and services

	Six months period ended 30 June	
	2014	2013
	RMB'000	RMB'000
Purchases of goods:		
— Sinopec Corp and its subsidiaries	**6,557,316**	5,660,824
— CPC and its subsidiaries (excluding Sinopec Corp and its subsidiaries and Sinopec Finance)	**77,229**	6,634
Insurance premium:		
— CPC and its subsidiaries (excluding Sinopec Corp and its subsidiaries and Sinopec Finance)	**341**	7,390
Service charges:		
— Sinopec Corp and its subsidiaries	**1,119**	10,885
Construction and overhaul fee:		
— CPC and its subsidiaries (excluding Sinopec Corp and its subsidiaries and Sinopec Finance)	**10,263**	38,023
Miscellaneous service charges:		
— CPC and its subsidiaries (excluding Sinopec Corp and its subsidiaries and Sinopec Finance)	**5,577**	5,222
Total	**6,651,845**	5,728,978

24 RELATED-PARTY TRANSACTIONS (continued)

(b) *Sales of goods and services*

	Six months period ended 30 June	
	2014	2013
	RMB'000	RMB'000
Sales of goods:		
— CPC and its subsidiaries (excluding Sinopec Corp and its subsidiaries and Sinopec Finance)	**28,295**	170,436
Interest income:		
— Sinopec Finance	**429**	598
— China CITIC Bank	**327**	365
Miscellaneous fee charges:		
— CPC and its subsidiaries (excluding Sinopec Corp and its subsidiaries and Sinopec Finance)	**7,400**	–
Total	**36,451**	171,399

(c) *Others*

	Six months period ended 30 June	
	2014	2013
	RMB'000	RMB'000
Interest expenses:		
–Sinopec Finance	**17,593**	11,487
Borrowings received:		
–Sinopec Finance	**2,000,000**	500,000
Borrowings repaid:		
–Sinopec Finance	**1,900,000**	300,000

(d) *Key management compensation*

Key management compensation amounted to RMB1,332 thousand for the six months period ended 30 June 2014 (six months period ended 30 June 2013: RMB1,405 thousand). See below.

	Six months period ended 30 June	
	2014	2013
	RMB'000	RMB'000
Salaries and other short-term benefits	**1,203**	1,281
Retirement scheme contribution	**129**	124
	1,332	1,405

24 RELATED-PARTY TRANSACTIONS (continued)

(e) Period-end balances arising from sales/purchases of goods/services

	30 June 2014 RMB'000	31 December 2013 RMB'000
Balances with banks		
— Sinopec Finance	**5,078**	2,281
— China CITIC Bank	**14,085**	21,715
	19,163	23,996
Receivables from related parties:		
— Sinopec Corp and its subsidiaries	**21,627**	–
— CPC and its subsidiaries (excluding Sinopec Corp and its subsidiaries and Sinopec Finance)	**138,813**	22,094
	160,440	22,094
Payables to related parties:		
— Sinopec Corp and its subsidiaries	**348,586**	490,001
— CPC and its subsidiaries (excluding Sinopec Corp and its subsidiaries and Sinopec Finance)	**329,724**	445,006
— Sinopec Finance	**1,198**	1,078
	679,508	936,085
Borrowings from related parties:		
— Sinopec Finance	**800,000**	700,000

(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 2014, FEYP has not borrowed in any loans under this facility.

9. DOCUMENTS FOR INSPECTION

The following documents will be available for inspection at the legal address of the Company from 25 August 2014 (Monday) 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 2014 signed by the Chairman and General Manager of the Company;

2. The financial report of the Company for the six months ended 30 June 2014 signed by the Legal Representative, 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.*