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 code: 1033)

INTERIM RESULTS ANNOUNCEMENT 2008

The Board of Directors ("**the Board**") of Sinopec Yizheng Chemical Fibre Company Limited ("**the Company**") hereby presents the interim_results of the Company and its subsidiary ("**the Group**") for the six months ended 30 June 2008.

1. IMPORTANT NOTES

1.1 The Board and the Supervisory Committee of Sinopec Yizheng Chemical Fibre Company Limited 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.

1.2 The interim financial report contained therein is unaudited.

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

2 BASIC INFORMATION OF THE COMPANY

2.1 Company profile

2.1.1 Places of listing, names and codes of the stock:
H share
-The Stock Exchange of Hong Kong Limited ("**HKSE**")
-Stock name: Yizheng Chemical
-Stock code: 1033
A share
-Shanghai Stock Exchange ("**SSE**")
-Stock name: S Yihua
-Stock code: 600871

2.1.2 Company Secretary:	Mr. Tom C.Y. Wu
Assistant Company Secretary:	Ms. Michelle M.Shi
Contact address:	Company Secretary Office Sinopec Yizheng Chemical Fibre Company Limite Yizheng City, Jiangsu Province, the People's Republic of China (the "**PRC**").
Telephone:	86-514-83231888
Fax:	86-514-83235880
E-mail address:	cso@ycfc.com

2.2 Principal financial data and financial indicators

2.2.1 Extracted from the interim financial report prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* (Consolidated and unaudited)

	For the six months ended 30 June	
	2008 *Rmb '000*	2007 *Rmb '000*
Turnover	**8,548,609**	8,482,657
(Loss) / profit before taxation	**(213,935)**	19,017
Income tax expense /(credit)	**47,826**	(35,235)
(Loss) / profit attributable to equity shareholders of the Company	**(261,761)**	52,783
Basic and diluted (loss)/earnings per share	**Rmb (0.065)**	Rmb 0.013

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

	As at 30 June 2008 *Rmb '000*	As at 31 December 2007 *Rmb '000*	Increase /(decrease) from last year (%)
Total assets	**10,265,644**	9,877,221	3.9
Total equity attributable to equity shareholders of the Company	**8,044,928**	8,308,677	(3.2)
Net assets per share attributable to equity shareholders of the Company	**Rmb 2.011**	Rmb 2.077	(3.2)
	For the six months ended 30 June 2008 *Rmb '000*	For the six months ended 30 June 2007 *Rmb '000*	Increase/(decrease) from corresponding period of last year (%)
Operating (loss)/profit	**(210,604)**	39,615	(631.6)
(Loss)/profit before income tax	**(216,586)**	14,906	(1,553.0)
Net (loss)/profit attributable to equity shareholders of the Company	**(263,749)**	50,029	(627.2)
Net (loss)/profit deducted extraordinary gain and loss attributable to equity shareholders of the Company	**(252,717)**	130,413	(293.8)
Basic (loss)/earnings per share	**Rmb (0.066)**	Rmb 0.013	(627.2)
Diluted (loss)/earnings per share	**Rmb (0.066)**	Rmb 0.013	(627.2)
Basic (loss)/earnings per share net of extraordinary gain and loss	**Rmb (0.063)**	Rmb 0.033	(293.8)
Return on net assets	**(3.28%)**	0.60%	Decreased by 3.88 percentage points
Net cash (outflow)/inflow from operating activities	**(186,787)**	395,613	(147.2)
Net cash (outflow)/inflow from operating activities per share	**Rmb (0.047)**	Rmb 0.099	(147.2)

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

Extraordinary gain and loss	Amount *(Rmb '000)*
Gains on disposal of fixed assets and intangible assets	1,527
Employee reduction expenses	(8,727)
Other non-operating income excluding gains on disposal of fixed assets and intangible assets	644
Non-operating expenses	(8,153)
Effect of income tax	3,677
Total	(11,032)

2.2.4 Significant differences between the interim financial report of the Group prepared in accordance with the PRC Accounting Standards for business Enterprises (2006) and International Financial Reporting Standards ("IFRSs") (Consolidated and unaudited)

	PRC Accounting Standards for Business Enterprises (2006) Rmb'000	IFRSs Rmb'000
Loss attributable to equity shareholders of the Company	263,749	261,761
Explanations for differences	Please refer to the section 7.3 of this interim results announcement.	

3. CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF MAJOR SHAREHOLDERS

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

3.2 As at 30 June 2008, there were 49,663 shareholders in the Company, including 49,089 shareholders holding social public share (A share), 2 shareholders holding legal person share (A share) and 572 shareholders holding H share:

3.3 As at 30 June 2008, the shareholdings of the top ten shareholders and circulating shareholders of the Company are respectively as follows:

Number of shareholders at the end of the reporting period			49,663		
Details of the top ten major shareholders					
Names of shareholders	Nature of shareholders	Number of shares held at the end of the reporting period (shares)	Percentage to total share capital （%）	Number of non-circulating shares (shares)	Number of pledged or frozen share*
China Petroleum & Chemical Corporation ("**Sinopec**")	Domestic legal person shareholder	1,680,000,000	42.00	1,680,000,000	Nil

Hong Kong Securities Clearing Company ("**HKSCC**") (Nominees) Limited***	Overseas capital shareholder	1,385,162,283	34.63	Circulating shares	Nil
CITIC Group Corporation ("**CITIC**") **	Domestic legal person shareholder	720,000,000	18.00	720,000,000	Nil
China Minsheng Banking Corporation—Orient Well-chosen Mix-type Open-end Securities Investment Fund	Domestic circulating shares	4,019,847	0.10	Circulating shares	Not applicable
Guangzhou Yidian Engineering & equipment Install Corporation	Domestic circulating shares	2,001,873	0.05	Circulating shares	Not applicable
Agricultural Bank of China—China Post Core Growing Share-type Securities Investment Fund	Domestic circulating shares	1,764,459	0.044	Circulating shares	Not applicable
Agricultural Bank of China—China Post Core Well-chosen Share-type Securities Investment Fund	Domestic circulating shares	1,680,925	0.042	Circulating shares	Not applicable
Lu Bao-hong	Domestic circulating shares	1,325,000	0.033	Circulating shares	Not applicable
Fortune Trust Investment Company Limited--Aggregate Capital Trust No.16 2006	Domestic circulating shares	1,219,200	0.03	Circulating shares	Not applicable
Beijing Buchang Pharm-Biology Technology Company Limited	Domestic circulating shares	1,140,000	0.029	Circulating shares	Not applicable

Details of the top ten circulating shareholders

Names of shareholders	Number of circulating shares held at the end of the reporting period (shares)	Classification
HKSCC (Nominees) Limited***	1,385,162,283	"H" shares
China Minsheng Banking Corporation—Orient Well-chosen Mix-type Open-end Securities Investment Fund	4,019,847	Circulating "A" shares

Guangzhou Yidian Engineering & equipment Install Corporation	2,001,873	Circulating "A" shares
Agricultural Bank of China—China Post Core Growing Share-type Securities Investment Fund	1,764,459	Circulating "A" shares
Agricultural Bank of China—China Post Core Well-chosen Share-type Securities Investment Fund	1,680,925	Circulating "A" shares
Lu Bao-hong	1,325,000	Circulating "A" shares
Fortune Trust Investment Company Limited--Aggregate Capital Trust No.16 2006	1,219,200	Circulating "A" shares
Beijing Buchang Pharm-Biology Technology Company Limited	1,140,000	Circulating "A" shares
Cheung Kwong Kwan	1,000,000	"H" shares
Zhou Gao-feng	856,780	Circulating "A" shares
Explanation of connected relationship or activities in concert among the above shareholders	Other than Agricultural Bank of China—China Post Core Growing Share-type Securities Investment Fund and Agricultural Bank of China—China Post Core Well-chosen Share-type Securities Investment Fund are subsidiary Fund of China Post & Capital Fund Management Company Limited. The Company is not aware of that there is any connected relationship or activities in concert among the above shareholders.	

*Notes: * It represents the number of pledged or frozen shares held by shareholders who held more than 5 per cent of the Company's shares during the reporting period.*
*** Shares held on behalf of the State.*
**** Shares held on behalf of different customers.*

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

As at 30 June 2008, (according to the shareholders' register and related application documents received by the Company), so far as the Directors, Supervisors and Senior Management of the Company are aware, each of the following persons, not being a Director, Supervisor or Senior Management of the Company, had an interest in the Company's shares which is required to be disclosed to the Company and the HKSE under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("**SFO**"):

Names of shareholder	Number of share held (shares)	Percentage of shareholding in the Company's total issued share capital (%)	Percentage of shareholding in the Company's total issued domestic shares (%)	Percentage of shareholding in the Company's total issued H shares (%)	Short position (shares)
Sinopec*	1,680,000,000	42.00	64.62	N/A	-
CITIC	720,000,000	18.00	27.69	N/A	-

* *As at 30 June 2008, China Petrochemical Corporation ("**CPC**") holds 75.84% of the equity interest in Sinopec.*

Save as disclosed above and so far as the Directors, Supervisors and Senior Management of the Company are aware, as at 30 June 2008, no substantial shareholder (as such term is defined in the Rules Governing the Listing of Securities on the HKSE (the **"Listing Rules"**)) of the Company or other person held any interest or short position in the Company's shares or underlying shares (as the case may be) which are required to be disclosed to the Company and the HKSE under the provisions of Divisions 2 and 3 Part XV of the SFO.

4. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

4.2 Directors', Supervisors' and Senior Management's interests in shares
At the end of the reporting period, Mr. Qian Heng-ge, Chairman, held 2,000 the shares of the Company, and there was no change in the number of the Company's shares held during the reporting period. Other Directors, Supervisors and Senior Management did not hold the Company shares.

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

4.3. Directors', Supervisors' and Senior Management's rights to acquire shares and debentures and short position
As at 30 June 2008, none of the Directors, Supervisors or Senior Management of the Company had any interest or short position in the shares, underlying shares and/or debentures (as the case may be) of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) of which the Company and the HKSE were required to be notified to the Company and the HKSE pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short position which any such Director, Supervisor or Senior Management has taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or of which the Company and the HKSE were required to be informed the Company and the HKSE pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("**Model Code**") as contained in Appendix 10 to the Listing Rules.

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

4.4. Independent Director and Audit Committee
As at 30 June 2008, the Company has four Independent Directors, two of whom are professionals in the accounting field and have experience in financial management.

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

5. MANAGEMENT DISCUSSION & ANALYSIS

The following financial figures, except where specifically noted, are extracted from the Group's unaudited interim financial report prepared in accordance with IAS 34 Interim Financial Reporting.

5.1 Market review
In the first half of 2008, the domestic polyester industry entered a phase of high costs of raw materials and low demand for downstream textiles. Therefore, the profit margin of polyester products became narrower and the operational environment for polyester industry was still tough. In the first half of 2008, as the global market price of crude oil has been soaring, the costs of polyester raw materials increased substantially. Meanwhile, the increase of the selling prices of polyester products was much lower than the increment of raw material costs because of the severely operational environment and slowing down of demand for downstream textiles. As a result, certain polyester products suffered losses.

In the first half of 2008, domestic polyester production capacity increased slowly and the total domestic polyester capacity increased by almost 700,000 tonnes. Total domestic supply volume of polyester fibre was 10,145,000 tonnes, an increase of 6.3 per cent compared with the corresponding period of last year, of which, the domestic production volume increased by 9.2 per cent compared with the corresponding period of last year. Meanwhile, the slowdown growth of PRC textile and clothes exports drove export volume to 83.85 billion dollars, 11.1 per cent higher than the first half of 2007, below 6.5 percentage points the first half of 2007 growth rate. Total domestic consumption volume of polyester fibre reached 9,319,500 tonnes, an increase of 9.1 per cent compared with the corresponding period of 2007. The domestic demand for polyester fibre has been slowing down.

5.2 Production operational review

In the first half of 2008, faced with a difficult operating environment, the Group put efforts in strengthening fine management, optimizing production and operations, further reducing costs and expenses, and optimizing products structure. As a result, positive progress was achieved in various fields concerning production and operation.

Production volume (tonnes)

For the six months ended 30 June

	2008	2007	Increase/(decrease) (%)
Polyester products			
Chips	**744,565**	735,964	1.2
Of which: bottle-grade chips	**210,828**	212,713	(0.9)
Staple fibre	**230,956**	224,230	3.0
Hollow fibre	**24,146**	25,117	(3.9)
Filament	**91,081**	86,606	5.2
Total	**1,090,748**	1,071,917	1.8

Sales volume (tonnes)

For the six months ended 30 June

	2008	2007	Increase/(decrease) (%)
Polyester products			
Chips	**519,558**	511,535	1.6
Of which: bottle-grade chips	**207,686**	210,675	(1.4)
Staple fibre	**225,260**	227,399	(0.9)
Hollow fibre	**23,456**	24,485	(4.2)
Filament	**91,015**	92,404	(1.5)
Total	**859,289**	855,823	0.4

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

	For the six months ended 30 June		
	2008	2007	Change（%）
Polyester products			
Chips	**9,498**	9,338	1.7
Staple fibre	**9,896**	9,983	(0.9)
Hollow fibre	**10,947**	10,549	3.8
Filament	**10,127**	10,501	(3.6)
Weighted average price	**9,709**	9,669	0.4

Turnover

	For the six months ended 30 June			
	2008		2007	
	Turnover	**Percentage of turnover**	Turnover	Percentage of turnover
	Rmb'000	(%)	Rmb'000	(%)
Polyester products				
Chips	**4,935,003**	**57.7**	4,776,612	56.3
Staple fibre	**2,229,190**	**26.1**	2,270,063	26.8
Hollow fibre	**256,781**	**3.0**	258,300	3.1
Filament	**921,685**	**10.8**	970,310	11.4
Others	**205,950**	**2.4**	207,372	2.4
Total	**8,548,609**	**100.0**	8,482,657	100.0

In the first half of 2008, though the Company has made great efforts in strengthening fine management, optimizing production and operations, endeavoring to further reduce costs and expenses, and optimize the products structure, the Group's loss before taxation and loss attributable to equity shareholders of the Company was Rmb 213,935,000 and Rmb 261,761,000 respectively, representing a decrease of 1,225.0 per cent and 595.9 per cent, respectively, while the Group's profit before taxation and profit attributable to equity shareholders of the Company for the first half of 2007 was Rmb 19,017,000 and Rmb 52,783,000 respectively, which was due to substantial increase in the costs of raw materials and fuels as a result of the significant increase in the prices of global crude oil and domestic coal and due to the fact that the increase of the selling prices of polyester products was much lower than the increment of raw material costs because of the severely operational environment and slowing down of demand for downstream textiles.

As at 30 June 2008, the Group's total assets were Rmb 10,407,266,000, total liabilities were Rmb 2,501,178,000, and total equity attributable to equity shareholders of the Company was Rmb 7,906,088,000. Compared with the assets and liabilities as at 31 December 2007 (hereinafter referred to as "compared with the end of last year"), the variations and main causes of such changes are described as follows:

Total assets were Rmb 10,407,266,000, an increase of Rmb 475,282,000 compared with the end of last year. Current assets were Rmb 5,317,265,000, an increase of Rmb 848,954,000 compared with the end of last year. The increase was mainly due to the increase in the Group's deposits with banks and other financial institutions by Rmb 583,318,000, and the increase in average purchase cost of inventories increased by Rmb 91,697,000 owing to the increase in costs of raw materials in the first half of 2008. Meanwhile, trade and other receivables increased by Rmb 190,368,000 owing to the increase in export credit sales during the period. Non-current assets were Rmb 5,090,001,000, a decrease of Rmb 373,672,000 compared with the end of last year, mainly due to ordinary depreciation and amortization.

Total liabilities were Rmb 2,501,178,000, an increase of Rmb 737,043,000 compared with the end of last year. Current liabilities were Rmb 2,490,178,000, an increase of Rmb 726,043,000 compared with the end of last year, mainly due to the increase of Rmb 726,052,000 in trade and other payables owing to the increase in purchase payment terms during the period. Non-current liabilities were Rmb 11,000,000, an increase of Rmb 11,000,000 compared with the end of last year, mainly due to the increase of Rmb 11,000,000 in deferred income in the first half of 2008.

Total equity attributable to equity shareholders of the Company was Rmb 7,906,088,000, a decrease of Rmb 261,761,000 compared with the end of last year, mainly due to the loss attributable to equity shareholders of the Group amounting to Rmb 261,761,000 in the first half of 2008.

As at 30 June 2008, total liabilities to total assets ratio was 24.0 per cent, whereas 17.8 per cent as at 31 December 2007.

As at 30 June 2008, the Group's bank loans were nil (as at 31 December 2007: nil).

The debt-equity ratio of the Group was zero for the first half of 2008 (first half of 2007: zero). The ratio is computed by dividing long-term borrowings by the sum of long-term borrowings and shareholders' equity.

In the first half of 2008, the Company's share of loss of its jointly-controlled entity, Yihua Unifi Fibre Industry Company Limited(“**Yihua UNIFI**”), was Rmb 76,263,000. During the six months ended 30 June 2008, Yihua UNIFI assessed the recoverable amount of its non-current assets and impairment losses were recognised in the income statement. The impairment losses shared by the Group were Rmb 51,729,000 during the six months ended 30 June 2008.

5.3 Statement of the operations by products

Polyester products contributed more than 10 per cent of the Group's income from operations and operating profit. The following is the statement of operations by products for the six months ended 30 June 2008 in accordance with the PRC Accounting Standards for Business Enterprises (2006).

Products	Operating income Rmb'000	Cost of sales Rmb'000	Gross profit margin (%)	Increase in operating income as compared with the corresponding period of last year (%)	Increase in cost of sales as compared with the corresponding period of last year (%)	Gross profit margin as compared with the corresponding period of last year
Polyester products	8,342,659	8,078,931	3.2	0.8	4.1	Decreased by 3.0 percentage points
Including: connected transactions	98,847	96,125	2.8	0.5	4.2	Decreased by 3.4 percentage points

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

5.4 Reasons for the significant changes in the gross margin compared to that of 2007 (based on financial information included in the interim financial report prepared in accordance with the PRC Accounting Standards for Business Enterprises (2006))

In the first half of 2008, the Group's gross margin decreased to 2.8 per cent, by 2.4 percentage points compared with 2007. The decrease was mainly due to substantial increase in the costs of raw materials and fuels as a result of the significant increase in the prices of global crude oil and domestic coal.

5.5 Capital Expenditure

In the first half of 2008, the Group's capital expenditure amounted to Rmb 68,540,000. The amount was mainly invested in the construction of the two major projects, such as the aramid fiber project with an annual capacity of 100 tonnes and the high performance polyethylene project with an annual capacity of 300 tonnes, and the other projects that increased profit margin by improving safety and environment, and reducing costs, and expenses, and saving energy consumption.

5.6 Business prospects

In the second half of 2008, the Group will continue to face a tough operating situation, and the domestic polyester industry still stays a phase of high costs of raw materials and low demand for downstream textiles. In the second half of 2008, the global crude oil price will continue to fluctuate immoderately at a high level, and the prices of polyester raw materials will also remain high due to tight supply. Meanwhile, as the factor of Renminbi appreciation and tight credit control still exist, the phase of severely operational environment for downstream textiles will not improve in the second half of 2008. Therefore, the increase in demand for downstream textiles will slow down and the operation for polyester enterprises will be more difficult.

In the second half of 2008, faced with a difficult operation environment, the Group will continue to strengthen fine management, reduce costs and expenses and optimize products structure to answer diversified market risks. The following will be set as priorities in the second half of 2008:

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

To ensure safe and stable operation of production facilities, the Group will further strengthen spot management, implement strict measures and controls over key facilities and areas, and try to reduce unexpected production cessation. Priorities will be given to the PTA facility to ensure safe and stable production, and to achieve the target of increasing PTA production volume. In the second half of 2008, the Group's projected production volume of polyester products is 1,071,000 tonnes, and the projected 2008 annual production volume of polyester products is 2,162,000 tonnes, 1.4 per cent higher than production volume in 2007. The Group's production volume of PTA for the second half of 2008 is projected at 519,000 tonnes. The projected 2008 annual production volume of PTA is 1,026,000 tonnes, 0.1 per cent more than production volume in 2007.

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

The Group will pay close attention to market changes, and adjust purchase plan in a timely manner based on the situation of cost, profit and production so as to keep a constant balance of raw materials supply and reduce the purchase costs. Meanwhile, the Group will make greater efforts in selling products, specially differential and specialized products, to strive for greater profit. In the second half of 2008, the Group's projected sales volume of polyester products is 852,000 tonnes. The 2008 projected sales volume of polyester products is 1,711,000 tonnes, a decrease of 0.2 per cent from that of 2007. The ratio of sales to production is expected to reach 100 per cent in the second half of 2008.

III. Improve product structure and profit contribution from differential products

The Group will further optimize product structure, and concentrate the market expansion of new products and stable sales of key products. Meanwhile, the Group will continue to advance the work of fixing production line, variety and customer so as to further improve the product quality and added value and improve the profit contribution from differential products. In the second half of 2008, the Group's projected production volume of specialized polyester chips and differential fibre products is 444,000 tonnes and 237,000 tonnes respectively. Specialized rates are expected to be 85.0 per cent and differential rates are expected to be 71.9 per cent.

IV. Strictly fine management and greatly reduce cost and expenses

The Group will continue to carry out the measures drafted at the beginning of 2008 for reducing costs and expenses. The Group will further implement overall budget management and strictly manage unplanned expenses to meet the expense control target. The Group will continually improve energy efficiency, and reduce emission of pollutants, and consumption of raw materials and energy. The Group will also organize to design some key projects saving energy and expedite to implement these projects to strive to be completed and create profits as soon as possible.

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

The Group will accelerate effective development and actively advanced the upgrade of industrial structure. To ensure to be completed and put into operation in 2008 and strive to create profits, the Group will meticulously organize the construction of the two new projects such as the aramid fiber project and the high performance polyethylene project.

The Group's capital expenditure for the second half of 2008 is projected to be approximately Rmb 388,920,000. In the second half of 2008, in order to maximize return on investment, the Group will arrange the schedule of capital expenditure in accordance with the prudential principle. The planned capital expenditures will be funded by cash generated from operations and bank credit facilities.

6. SIGNIFCANT EVENTS

6.1 As approved by 2007 AGM held on 28 May 2008, to make up the losses of the previous years, the Company did not pay a final cash dividend for the year ended 31 December 2007, according to the Company Law and the Articles of Association of the Company.

In accordance with the Articles of Association of the Company, the Board resolved that no interim dividend be paid for the year ending 31 December 2008.

6.2 According relative laws or regulations of "Several Opinions of the State Council on Promoting the Reform, Opening-up and Stable Development of the Capital Market" (No. 3, 2004 of the State Council) and "Guidance Opinions on the Share Reform of Listed Companies" jointly promulgated by CSRC, State-Owned Assets Supervision and Administration Commission of the State Council, Ministry of Finance, People's Bank of China and Ministry of Commerce, the Company's non-circulating shareholders brought forward the proposal of share reform on 30 November 2007. After performing the operation process of share reform, the "Share Reform Scheme of Sinopec Yizheng Chemical Fibre Company Limited" was not passed by the shareholders' meeting of A share market relating to the share reform scheme held on 15 January 2008.

The non-circulating shareholders has not brought forward new proposal of share reform at present.

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

6.4 During the reporting period, the Group had no material acquisition or disposals of assets, nor any merger and acquisitions activities.
The Company is in negotiation with UNIFI Asia Holding SRL ("**UNIFI Asia"**), a limited liability company incorporated in Barbados and a subsidiary of Unifi, Inc., in respect of the possible purchase of UNIFI Asia's 50.0% shareholding in Yihua UNIFI. There is no letter of intent or agreement signed for this transaction at present. As negotiations are still in progress, the above proposed transaction may or may not proceed.

The Company and UNIFI Asia holds 50 per cent of the equity interest of Yihua UNIFI respectively. Yihua UNIFI, whose registered capital is USD 60,000,000, is a jointly controlled entity. Its principal activities are the production processing and sales of differential polyester filament and relative products, research and development of polyester and textile products, and after sales services for its products. Yihua UNIFI was established in Yizheng City, Jiangsu Province on 28 July 2005.

The related announcement was disclosed in China Securities, Shanghai Securities News, Securities Times and the website of HKSE on 1 August 2008.

6.5 Information on connected transactions
At the 2007 AGM held on 28 May 2008, independent shareholders discussed and approved the resolution of 2008 ordinary connected transactions in terms of the existing connected transaction agreement.

The Group's material connected transactions entered into during the period ended 30 June 2008 were as follows:
（a）The following is the significant connected transactions relating to ordinary operation during the reporting period:

Type of transaction	Transaction parties	Amount of transaction Rmb'000	Proportion of the same type of transaction (%)
Purchase of raw materials	Sinopec and its subsidiaries	4,226,140	54.2%
	Of which: Sinopec Yangzi Petrochemical Company Limited	2,325,356	29.8%
	China Petroleum & Chemical Corporation, Zhenhai Branch	1,513,876	19.4%

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

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

The Board believed that the above transactions were entered into in the ordinary course of business and in normal commercial terms or in accordance with the terms of agreements governing these transactions. The above applicable connected transactions fully complied with the related regulations issued by HKSE and the SSE.

For details of connected transactions during the reporting period, please refer to note 39 of the interim financial report prepared in accordance with PRC Accounting Standards for Business Enterprises (2006).

6.6 During the reporting period, there were no non-operating funds supplied by the Company to the controlling shareholders and its subsidiaries.
6.7 During the reporting period, the Company did not have any assets rented by, contracted out or held on trust for other companies. Furthermore, the Company did not rent or contract any assets from other companies and did not have assets held by other companies.

6.8 As at 30 June 2008, the Group did not have any designated deposits with any financial institutions or have any difficulties in collecting deposits upon maturity. The Group had no trusted financial matters during the reporting period.

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

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

6.11 In order to refine the core business, during the period ended 30 June 2008, the Company liquidated Yihua Kangqi Chemical Fibre Company Limited ("**Yihua Kangqi**") (the Company's wholly-owned subsidiary). As at 30 June 2008, all the required liquidation procedures were completed and the net assets of Yihua Kangqi were all transferred to the Company. As the operation results and financial position of Yihua Kangqi were reflected in each of the Group's prior years' consolidated financial statements, the liquidation had no significant impact on the consolidated income statement for the six months ended 30 June 2008. Meanwhile, as investment in Yihua Kangqi was accounted for using the cost method in the Company's financial statements in prior years, a disposal income of RMB 158,668,000 has been recognised and included in the Company's income statement for the six months ended 30 June 2008.

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

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

6.13 Constructions of the high performance polyethylene project with an annual capacity of 300 tonnes, the aramid fiber project with an annual capacity of 100 tonnes, and improvements project of stove desulphrization of thermoelectricity center were approved for investment in the 25th meeting of the Board of the fifth term held on 7 April 2008. The estimated investment of the high performance polyethylene project amounted to Rmb 118,520,000 and is expected to be completed and put into operation by the year end of 2008. The estimated investment of the aramid fiber project amounted to Rmb 62,850,000 and is expected to be completed and put into operation by the year end of 2008. The estimated investment of improvements project of stove desulphrization of thermoelectricity center amounted to Rmb 96,040,000 and is expected to be completed and put into operation by the year end of 2009.

Presently, the above projects are implemented on schedule.

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

6.15 Save as those disclosed above, during the reporting period, the Group did not have any major event, or disclosure matter referred to in the Article 62 of the Security Law of the PRC, Article 60 of the "Provisional Regulations of Administration of the Issuing and Trading of Shares of the PRC" and the Article 30 of "Disclosure of Information by Public Listing Companies".

7. INTERIM FINANCIAL REPORT (unaudited)

7.1 Interim financial report prepared in accordance with IAS 34 "Interim Financial Reporting"

The following financial information has been extracted from the Group's unaudited interim financial report, prepared in accordance with IAS 34 "Interim Financial Reporting", for the six months ended 30 June 2008.

Consolidated income statement
for the six months ended 30 June 2008 – *unaudited*

	Note	**Six months ended 30 June** **2008** ***Rmb'000***	2007 *Rmb'000*
Turnover	*3*	8,548,609	8,482,657
Cost of sales		(8,441,391)	(8,089,109)
Gross profit		107,218	393,548
Other income		923	9,176
Selling expenses		(98,261)	(108,270)
Administrative expenses		(162,450)	(239,756)
Other expenses		(6,874)	(32,407)
Operating (loss)/profit before net finance income		(159,444)	22,291
Financial income		24,318	15,029
Financial expenses		(2,546)	(6,628)
Net finance income		21,772	8,401
Share of loss of a jointly controlled entity		(76,263)	(11,675)
(Loss)/profit before taxation	*4*	(213,935)	19,017
Income tax (expense)/credit	*5*	(47,826)	35,235
(Loss)/profit for the period		(261,761)	54,252
Attributable to:			
Equity shareholders of the Company		(261,761)	52,783
Minority interests		-	1,469
(Loss)/profit for the period		(261,761)	54,252
Basic and diluted (loss)/earnings per share (in Rmb)	*7*	(0.065)	0.013

Consolidated Balance Sheet
as at 30 June 2008 - *unaudited*

	Note	**At 30 June 2008** ***Rmb'000***	At 31 December 2007 *Rmb'000*
Non-current assets			
Property, plant and equipment		4,649,378	4,953,561
Construction in progress		146,104	89,566
Lease prepayments		124,788	126,430
Interest in jointly controlled entity		79,921	156,184
Deferred tax assets		89,810	137,932
		5,090,001	5,463,673
Current assets			
Inventories		1,348,884	1,257,187
Trade and other receivables	*8*	2,366,745	2,176,377
Deposits with banks and other financial institutions		1,158,318	575,000
Cash and cash equivalents		443,318	459,747
		5,317,265	4,468,311
Current liabilities			
Trade and other payables	*9*	2,490,178	1,764,126
Income tax payable		-	9
		2,490,178	1,764,135
Net current assets		2,827,087	2,704,176
Total assets less current liabilities		7,917,088	8,167,849
Non-current liabilities			
Deferred government grants		11,000	-
Net assets		7,906,088	8,167,849

Consolidated Balance Sheet
as at 30 June 2008 – *unaudited (continued)*

	Note	**At 30 June 2008** ***Rmb'000***	At 31 December 2007 *Rmb'000*
Equity			
Share capital		4,000,000	4,000,000
Share premium		2,518,833	2,518,833
Reserves	*10*	1,279,928	1,279,928
Retained profits		107,327	369,088
Total equity		7,906,088	8,167,849

Consolidated Statement of Changes in Equity
for the six months ended 30 June 2008 - *unaudited*

	Attributable to equity shareholders of the Company						
	Share capital	**Share premium**	**Reserves**	**Retained profits**	**Total**	**Minority interests**	**Total equity**
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*	*Rmb'000*	*Rmb'000*	*Rmb'000*
As at 1 January 2007	4,000,000	2,518,833	1,259,943	346,776	8,125,552	47,652	8,173,204
Income recognised directly in equity							
- adjustment of deferred tax on land use rights due to change in income tax rate	-	-	19,777	-	19,777	-	19,777
- realisation of deferred tax on land use rights	-	-	(5,317)	5,317	-	-	-
- others	-	-	4,221	-	4,221	-	4,221
Profit for the period	-	-	-	52,783	52,783	1,469	54,252
Total recognised income for the period	-	-	18,681	58,100	76,781	1,469	78,250
Dividends paid to minority shareholders	-	-	-	-	-	(239)	(239)
As at 30 June 2007	4,000,000	2,518,833	1,278,624	404,876	8,202,333	48,882	8,251,215
As at 1 January 2008	4,000,000	2,518,833	1,279,928	369,088	8,167,849	-	8,167,849
Loss for the period	-	-	-	(261,761)	(261,761)	-	(261,761)
As at 30 June 2008	4,000,000	2,518,833	1,279,928	107,327	7,906,088	-	7,906,088

Notes:

1 Principal activities and basis of preparation

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

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard **("IAS")** 34 *Interim Financial Reporting*, adopted by the International Accounting Standards Board **("IASB")**. This interim financial report was authorised for issuance on 25 August 2008.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2007 annual financial statements.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2007 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards **("IFRSs")**.

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

The financial information relating to the financial year ended 31 December 2007 that is included in the interim financial report as being previously reported information does not constitute the Company's annual financial statements for that financial year but is derived from those financial statements. Annual financial statements for the year ended 31 December 2007 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 7 April 2008. The 2007 annual financial statements have been prepared in accordance with IFRSs.

The Company also prepares an interim financial report which complies with the PRC Accounting Standards for Business Enterprises. Significant differences between the interim financial report of the Group prepared in accordance with the PRC Accounting Standards for Business Enterprises (2006) ("**CAS (2006)**") and IFRSs are summarised in section 7.3.

2 Segment reporting

The Group's results are almost entirely attributable to the production and sales of chemical fibre and chemical fibre raw materials in the PRC. Accordingly, no segmental analysis is provided by the Group.

3 Turnover

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

4 (Loss)/profit before taxation

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

	Six months ended 30 June	
	2008	2007
	Rmb'000	*Rmb'000*
Cost of inventories	8,441,391	8,089,109
Interest on borrowings	395	-
Depreciation	311,737	328,703
Amortisation of lease prepayments	1,642	1,494
Write-down/(reversal of) of inventories	5,624	(9,123)
Employee reduction expenses	8,727	95,726
Net (gain)/loss on disposal of property, plant and equipment	(1,279)	24,953
Interest income	(10,145)	(13,386)

5 Income tax

	Note	Six months ended 30 June	
		2008	2007
		Rmb'000	*Rmb'000*
Current tax			
- Provision for the period		-	3,705
- (Over)/under-provision in respect of prior periods		(296)	459
		(296)	4,164
Reversal/(origination) of deferred tax assets	*(b)*	48,122	(39,399)
Income tax expense/(credit)		47,826	(35,235)

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

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

5 Income tax *(continued)*

Pursuant to the PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007, the new enterprise income tax rates for domestic and foreign enterprises were unified at 25% and were effective from 1 January 2008 (2007: 33%).

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

(b) The Group assessed the future taxable profits that would allow the deferred tax assets to be recovered. Based on the assessment, the Group reduced the carrying amount of deferred tax assets to Rmb 89,810,000 as at 30 June 2008 and made the above reversal.

6 Dividend

No final dividend in respect of the financial year 2007 was approved during the period (financial year 2006: Rmb nil).

The Board of Directors does not recommend the payment of any interim dividend for the six months ended 30 June 2008 (2007: Rmb nil).

7 (Loss)/earnings per share

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company of Rmb 261,761,000 for the six months ended 30 June 2008 (six months ended 30 June 2007: profit of Rmb 52,783,000) and the weighted average number of ordinary shares of 4,000,000,000 (2007: 4,000,000,000) in issue during the period.

(b) Diluted (loss)/earnings per share

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

8 Trade and other receivables

	At 30 June 2008 *Rmb'000*	At 31 December 2007 *Rmb'000*
Trade receivables	216,285	194,780
Bills receivable	1,643,275	1,583,804
Amounts due from parent company and fellow subsidiaries - trade	37,370	73,255
Amounts due from jointly controlled entity - trade	99,589	30,561
	1,996,519	1,882,400
Amounts due from parent company and fellow subsidiaries-non-trade	230	273
Amounts due from jointly controlled entity - non-trade	-	480
Other receivables, deposits and prepayments	369,996	293,224
	2,366,745	2,176,377

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

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

	At 30 June 2008 *Rmb'000*	At 31 December 2007 *Rmb'000*
Current	1,995,638	1,880,420
Less than 12 months past due	881	1,980
	1,996,519	1,882,400

9 Trade and other payables

	At 30 June 2008 *Rmb'000*	At 31 December 2007 *Rmb'000*
Trade payables	1,205,750	1,255,775
Amounts due to parent company and fellow subsidiaries-trade	972,298	133,478
Amounts due to jointly controlled entity - trade	10,471	11,067
	2,188,519	1,400,320
Amounts due to parent company and fellow subsidiaries - non-trade	17,671	4,908
Other payables and accrued expenses	283,988	358,898
	2,490,178	1,764,126

The maturity analysis of trade payables is as follows:

	At 30 June 2008 *Rmb'000*	At 31 December 2007 *Rmb'000*
Due within 1 month or on demand	1,194,209	1,243,148
Due after one month but within 12 months	11,541	12,627
	1,205,750	1,255,775

The maturity analysis of amounts due to the parent company and fellow subsidiaries - trade and amounts due to the jointly controlled entity - trade is as follows:

	At 30 June 2008 *Rmb'000*	At 31 December 2007 *Rmb'000*
Due within 1 month or on demand	134,451	144,545
Due after 1 month but within 3 months	494,524	-
Due after 3 months but within 6 months	129,616	-
Due after 6 months but within 12 months	224,178	-
	982,769	144,545

10 Reserves

For the six months ended 30 June 2008, no transfers were made to the statutory surplus reserve, or the discretionary surplus reserve (2007: Rmb nil).

11 Possible impact of amendments, new standards and interpretations issued but not yet effective for the annual accounting period ending 31 December 2008

Up to the date of issue of this interim financial report, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the annual accounting period ending 31 December 2008 and which have not been adopted in this interim financial report:

11 Possible impact of amendments, new standards and interpretations issued but not yet effective for the annual accounting period ending 31 December 2008 *(continued)*

	Effective for accounting periods beginning on or after
IFRIC 13, Customer loyalty programmes	1 July 2008
IFRIC 16, Hedges of a net investment in a foreign operation	1 October 2008
IFRS 8, Operating segments	1 January 2009
Revised IAS 1, Presentation of financial statements	1 January 2009
Revised IAS 23, Borrowing costs	1 January 2009
Amendment to IFRS 1, First-time adoption of International Financial Reporting Standards, and IAS 27, Consolidated and separate financial statements - Cost of an investment in a subsidiary, jointly-controlled entity or associate	1 January 2009
Amendment to IFRS 2, Share-based payment - Vesting conditions and cancellations	1 January 2009
Amendments to IAS 32, Financial instruments: Presentation and IAS 1, Presentation of financial instruments - Puttable financial instruments and obligations arising on liquidation	1 January 2009
IFRIC 15, Agreements for the construction of real estate	1 January 2009
Improvements to IFRSs	1 January 2009 or 1 July 2009
Revised IFRS 3, Business combinations	Applied to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009
Amendments to IAS 27, Consolidated and separate financial statements	1 July 2009
Amendments to IAS 39, Financial instruments: Recognition and measurement - Eligible hedged items	1 July 2009

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. Up to the date of issuance of this interim financial report, the Group believes that the adoption of the above new standards and new interpretations is unlikely to have a significant impact on the Group's results of operations and financial position.

12 Subsequent events

The Company announced on 1 August 2008 that it is in negotiation with its joint venture partner, UNIFI Asia Holding SRL ("**UNIFI Asia**"), in respect of the possible purchase of UNIFI Asia's 50% ownership interest in Yihua UNIFI Industry Fibre Company Limited, the jointly controlled entity. There is no letter of intent or agreement signed for this transaction at the date of this report.

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

The following financial information has been extracted from the Group's unaudited interim financial report, prepared in accordance with the PRC Accounting Standards for Business Enterprises (2006) ("**CAS (2006)**"), for the six months ended 30 June 2008.

Balance sheets *(unaudited)*
(Expressed in thousands of Renminbi yuan)

	The Group		*The Company*	
	At 30 June 2008	*At 31 December 2007*	*At 30 June 2008*	*At 31 December 2007*
Assets				
Current assets				
Cash at bank and on hand	1,601,636	1,034,747	1,601,636	946,953
Bills receivable	1,673,275	1,612,417	1,673,275	1,584,092
Accounts receivable	289,076	199,910	289,076	199,910
Prepayments	41,331	72,674	41,331	72,674
Other receivables	78,352	91,325	78,352	90,835
Inventories	1,348,884	1,257,187	1,348,884	1,257,187
Total current assets	5,032,554	4,268,260	5,032,554	4,151,651
Non-current assets				
Long-term equity investments	79,921	156,184	79,921	216,640
Fixed assets	4,533,875	4,831,660	4,533,875	4,829,186
Construction in progress	146,104	89,566	146,104	89,566
Fixed assets to be disposed of	4,618	-	4,618	-
Intangible assets	420,793	436,102	420,793	436,102
Deferred tax assets	47,779	95,449	47,779	95,449
Total non-current assets	5,233,090	5,608,961	5,233,090	5,666,943
Total assets	10,265,644	9,877,221	10,265,644	9,818,594

Balance sheets *(unaudited) (continued)*
(Expressed in thousands of Renminbi yuan)

	The Group		*The Company*	
	At 30 June 2008	*At 31 December 2007*	*At 30 June 2008*	*At 31 December 2007*
Liabilities and shareholders' funds				
Current liabilities				
Accounts payable	2,060,453	1,279,510	2,060,453	1,279,510
Advances from customers	119,131	109,743	119,131	109,695
Employee benefits payable	101,523	136,101	101,523	136,101
Taxes payable	(278,881)	(187,840)	(278,881)	(187,849)
Other payables	203,241	226,570	203,241	325,796
Total current liabilities	2,205,467	1,564,084	2,205,467	1,663,253
Non-current liabilities				
Deferred income	11,000	-	11,000	-
Deferred tax liabilities	4,249	4,460	4,249	4,460
Total non-current liabilities	15,249	4,460	15,249	4,460
Total liabilities	2,220,716	1,568,544	2,220,716	1,667,713
Shareholders' equity				
Share capital	4,000,000	4,000,000	4,000,000	4,000,000
Capital reserve	3,107,164	3,107,164	3,107,164	3,107,164
Surplus reserve	1,456,004	1,456,004	1,456,004	1,456,004
Accumulated losses	(518,240)	(254,491)	(518,240)	(412,287)
Total equity	8,044,928	8,308,677	8,044,928	8,150,881
Total liabilities and shareholders' equity	10,265,644	9,877,221	10,265,644	9,818,594

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

	The Group		*The Company*	
	2008	*2007*	*2008*	*2007*
Operating income	8,548,609	8,482,657	8,548,609	8,279,548
Less: Operating costs	8,305,392	7,998,855	8,305,392	7,828,233
Business taxes and surcharges	6,237	20,912	6,237	20,476
Selling and distribution expenses	98,261	108,270	98,216	90,430
General and administrative expenses	292,763	310,564	292,679	302,444
Net financial income	(21,772)	(8,401)	(21,519)	(12,532)
Impairment loss	2,069	1,167	2,069	1,194
Add: Investment (loss)/income	(76,263)	(11,675)	82,405	(11,675)
(Including: Loss from investment in jointly controlled entity)	(76,263)	(11,675)	(76,263)	(11,675)
Operating (loss)/profit	(210,604)	39,615	(52,060)	37,628
Add: Non-operating income	2,171	9,269	1,678	9,021
Less: Non-operating expenses	8,153	33,978	8,112	33,517
(Including: Loss from disposal of non-current assets)	-	26,524	-	26,442
(Loss)/profit before income tax expenses	(216,586)	14,906	(58,494)	13,132
Less: Income tax expenses	47,163	(36,592)	47,459	(40,756)
Net (loss)/profit for the period	(263,749)	51,498	(105,953)	53,888
Attributable to:				
Equity shareholders of the Company	(263,749)	50,029	(105,953)	53,888
Minority shareholders	-	1,469	-	-
(Loss)/earnings per share				
Basic and diluted (loss)/earnings per share (in Rmb)	(0.066)	0.013	(0.026)	0.013

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

For the six months ended 30 June

(Expressed in thousands of Renminbi yuan)

	2008							2007						
	Attributable to equity shareholders of the Company							Attributable to equity shareholders of the Company						
	Share capital	Capital reserve	Surplus reserve	Accumulated losses	Subtotal	Minority interests	Total	Share capital	Capital reserve	Surplus reserve	Accumulated losses	Subtotal	Minority interests	Total
As at the end of last period	4,000,000	3,107,164	1,456,004	(254,491)	8,308,677	-	8,308,677	4,000,000	3,116,808	1,456,004	(281,952)	8,290,860	47,652	8,338,512
Changes in accounting policies	-	-	-	-	-	-	-	-	(9,644)	-	9,644	-	-	-
As at the beginning of the period	4,000,000	3,107,164	1,456,004	(254,491)	8,308,677	-	8,308,677	4,000,000	3,107,164	1,456,004	(272,308)	8,290,860	47,652	8,338,512
Changes in equity for the period														
1. Net (loss)/profit for the period	-	-	-	(263,749)	(263,749)	-	(263,749)	-	-	-	50,029	50,029	1,469	51,498
2. Gain and loss recognised directly in equity														
- Others	-	-	-	-	-	-	-	-	4,221	-	-	4,221	-	4,221
3. Appropriation of profits														
- Distributions to minority shareholders	-	-	-	-	-	-	-	-	-	-	-	-	(239)	(239)
As at the end of the period	4,000,000	3,107,164	1,456,004	(518,240)	8,044,928	-	8,044,928	4,000,000	3,111,385	1,456,004	(222,279)	8,345,110	48,882	8,393,992

Statement of changes in shareholders' equity *(unaudited)*
For the six months ended 30 June
(Expressed in thousands of Renminbi yuan)

	2008					2007				
	Share capital	Capital reserve	Surplus reserve	Accumulated losses	Total	Share capital	Capital reserve	Surplus reserve	Accumulated losses	
As at the end of last period	4,000,000	3,107,164	1,456,004	(412,287)	8,150,881	4,000,000	3,126,453	1,456,004	(283,627)	8,298,830
Changes in accounting policies	-	-	-	-	-	-	(19,289)	-	(147,285)	(166,574)
As at the beginning of the period	4,000,000	3,107,164	1,456,004	(412,287)	8,150,881	4,000,000	3,107,164	1,456,004	(430,912)	8,132,256
Changes in equity for the period										
1. Net (loss)/profit for the period	-	-	-	(105,953)	(105,953)	-	-	-	53,888	53,888
2. Gain and loss recognised directly in equity										
- Others	-	-	-	-	-	-	4,221	-	-	4,221
As at the end of the period	4,000,000	3,107,164	1,456,004	(518,240)	8,044,928	4,000,000	3,111,385	1,456,004	(377,024)	8,190,365

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

(1) The effect of the difference between CAS (2006) and IFRSs on net (loss)/profit attributable to equity shareholders of the Company is analysed as follows:

	Note	The Group For the six months ended 30 June 2008 RMB'000	 2007 RMB'000
Net (loss)/profit attributable to equity shareholders of the Company under CAS (2006)		(263,749)	50,029
Adjustments:			
Reversal of amortisation of revaluation surplus of land use rights	*(a)*	2,651	4,111
Effects of the above adjustments on taxation		(663)	(1,357)
Total		1,988	2,754
Net (loss)/profit attributable to equity shareholders of the Company under IFRSs		(261,761)	52,783

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

	Note	The Group As at 30 June 2008 RMB'000	 As at 31 December 2007 RMB'000
Total equity attributable to equity shareholders of the Company under CAS (2006)		8,044,928	8,308,677
Adjustments:			
Revaluation surplus of land use rights	*(a)*	(185,120)	(187,771)
Effects of the above adjustments on taxation		46,280	46,943
Total		(138,840)	(140,828)
Total equity attributable to equity shareholders of the Company under IFRSs		7,906,088	8,167,849

Note:

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

8. OTHER EVENTS

8.1 Compliance with the Code on Corporate Governance Practice and the Model Code

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

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

The 8th meeting of the Audit Committee of the Board of the Company was held on 25 August 2008, and mainly reviewed the Interim Financial Report of the Group during the report period.

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

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

8.3 A detailed interim results announcement of the Company containing all the information required by Paragraphs 46(1) to 46（6）inclusive of Appendix 16 to the Listing Rules will be published on the website of the HKSE at an appropriate time.

By order of the Board
Qian Heng-ge
Chairman

25 August 2008, Nanjing

As at the date of this announcement, the Company's directors include Mr. Qian Heng-ge, Ms. Sun Zhi-hong, Mr. Xiao Wei-zhen, Ms. Long Xing-ping, Mr. Zhang-hong, Mr. Guan Diao-sheng, Mr. Shen Xi-jun, Ms. Li Zhong-he, Mr. Wang Hua-cheng*, Ms. Yi Ren-ping* and Ms. Qian Zhi-hong*. *independent directors*