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 2009

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 2009.

## 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<br>Sinopec Yizheng Chemical Fibre Company Limite<br>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 | |
|---|---|---|
| | **2009** *Rmb '000* | 2008 *Rmb '000* |
| Turnover | **6,135,575** | 8,548,609 |
| Profit / (loss) before taxation | **310,597** | (213,935) |
| Income tax expense | **655** | 47,826 |
| Profit / (loss) attributable to equity shareholders of the Company | **309,942** | (261,761) |
| Basic and diluted earnings / (loss) per share | **Rmb 0.077** | Rmb(0.065) |

### 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 2009** *Rmb '000* | As at 31 December 2008 *Rmb '000* | Increase /(decrease) from last year (%) |
|---|---|---|---|
| Total assets | **8,784,263** | 8,417,284 | 4.4 |
| Total equity attributable to equity shareholders of the Company | **6,971,370** | 6,663,392 | 4.6 |
| Net assets per share attributable to equity shareholders of the Company | **Rmb 1.743** | Rmb 1.666 | 4.6 |
| | **For the six months ended 30 June 2009** ***Rmb '000*** | For the six months ended 30 June 2008 *Rmb '000* | Increase/(decrease) from corresponding period of last year (%) |
| Operating profit / (loss) | **302,175** | (210,604) | Not applicable |
| Profit / (loss) before income tax | **307,978** | (216,586) | Not applicable |
| Net profit /(loss) attributable to equity shareholders of the Company | **307,978** | (263,749) | Not applicable |
| Net profit / (loss) deducted extraordinary gain and loss attributable to equity shareholders of the Company | **303,197** | (252,717) | Not applicable |
| Basic earnings / (loss) per share | **Rmb 0.077** | Rmb (0.066) | Not applicable |
| Diluted earnings / (loss) per share | **Rmb 0.077** | Rmb (0.066) | Not applicable |
| Basic earnings / (loss) per share net of extraordinary gain and loss | **Rmb 0.076** | Rmb (0.063) | Not applicable |
| Return on net assets | **4.42%** | (3.28%) | Increased by 7.7 percentage points |
| Net cash inflow/(outflow) from operating activities | **817,739** | (186,787) | Not applicable |
| Net cash inflow/(outflow) from operating activities per share | **Rmb 0.204** | Rmb(0.047) | Not applicable |

**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 | 8,890 |
| Employee reduction expenses | (1,022) |
| Other non-operating income excluding gains on disposal of fixed assets and intangible assets | 305 |
| Non-operating expenses | (3,392) |
| Effect of income tax* | 0 |
| Total | 4,781 |

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

**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)

| | **Net profit/ (loss) attributable to equity shareholders of the Company** | | **Total equity attributable to equity shareholders of the Company** | |
|---|---|---|---|---|
| | **For the six months ended 30 June 2009** Rmb '000 | **For the six months ended 30 June 2008** Rmb '000 | **As at 30 June 2009** Rmb '000 | **As at 1 January 2009** Rmb '000 |
| PRC Accounting Standards for Business Enterprises (2006) | 307,978 | (263,749) | 6,971,370 | 6,663,392 |
| IFRSs | 309,942 | (261,761) | 6,836,474 | 6,526,532 |
| Explanations for difference | Please refer to the section 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 2009, there were 45,051 shareholders in the Company, including 44,354 shareholders holding social public share (A share), 2 shareholders holding legal person share (A share) and 695 shareholders holding H share.

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

| | |
|---|---|
| Number of shareholders at the end of the reporting period | 45,051 |
| **Details of the top ten major shareholders** | |

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

| Details of the top ten circulating shareholders | | |
|---|---|---|
| Names of shareholders | Number of circulating shares held at the end of the reporting period (shares) | Classification |
| HKSCC (Nominees) Limited*** | 1,380,211,005 | "H" shares |
| China Minsheng Banking Corporation—Orient Well-chosen Mix-type Open-end Securities Investment Fund | 4,019,847 | Circulating "A" shares |
| Guangzhou Yidian Engineering & equipment Install Corporation | 2,000,000 | Circulating "A" shares |
| Cheung Kwong Kwan | 2,000,000 | "H" shares |
| Lu Bao-hong | 1,330,000 | Circulating "A" shares |
| Lin You-ming | 1,061,400 | Circulating "A" shares |
| Hing Shing Far East Development Ltd | 1,000,000 | "H" shares |
| Zhou Gao-feng | 878,080 | Circulating "A" shares |
| Li Hai-ying | 790,000 | "Circulating "A" shares |
| Wang Rong-an | 697,639 | Circulating "A" shares |
| Explanation of connected relationship or activities in concert among the above shareholders | The Company is not aware of that there is any connected relationship or activities in concert among the above shareholders. | |

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

**3.4 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 2009, (according to the shareholders' register and related application documents received by the Company ), so far as the Directors, Supervisors and Senior Management of the Company are aware, each of the following persons, not being a Director, Supervisor or Senior Management of the Company, had an interest in the Company's shares which is required to be disclosed to the Company and the HKSE under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("**SFO**"):

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

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

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

## 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 2009, none of the Directors, Supervisors or Senior Management of the Company had any interest or short position in the shares, underlying shares and/or debentures (as the case may be) of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) of which the Company and the HKSE were required to be 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 2009, the Company has four Independent Directors, one of whom are professionals in the accounting field and have experience in financial management.

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

## 5. 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 2009, with the slow increase in the prices of global crude oil and polyester raw materials, the prices of polyester products have gradually trended toward stability and started to rise, and the profit margin of the polyester products have been enhanced. At the same time, due to the impact of the financial crisis, downstream textiles, facing the pressure of decreasing demand both from domestic and overseas markets, sharply reduced its demand for polyester products.

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

**5.2 Production operational review**

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

*Production volume (tonnes)*

**For the six months ended 30 June**

| | **2009** | 2008 | Increase/(decrease) (%) |
|---|---|---|---|
| Polyester products | | | |
| Chips | **755,974** | 744,565 | 1.5 |
| Of which: bottle-grade chips | **214,600** | 210,828 | 1.8 |
| Staple fibre | **229,330** | 230,956 | (0.7) |
| Hollow fibre | **24,746** | 24,146 | 2.5 |
| Filament | **119,150** | 91,081 | 30.8 |
| Total | **1,129,200** | 1,090,748 | 3.5 |

*Sales volume (tonnes)*

**For the six months ended 30 June**

| | **2009** | 2008 | Increase/(decrease) (%) |
|---|---|---|---|
| Polyester products | | | |
| Chips | **516,053** | 519,558 | (0.7) |
| Of which: bottle-grade chips | **213,189** | 207,686 | 2.6 |
| Staple fibre | **229,343** | 225,260 | 1.8 |
| Hollow fibre | **23,497** | 23,456 | 0.2 |
| Filament | **88,618** | 91,015 | (2.6) |
| Total | **857,511** | 859,289 | (0.2) |

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

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

*Turnover*

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

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

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

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

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

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

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

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

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

**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 2009 in accordance with the PRC Accounting Standards for Business Enterprises (2006).

| Products | Operating income<br><br>Rmb'000 | Cost of sales<br><br>Rmb'000 | Gross profit margin (%) | Decrease in operating income as compared with the corresponding period of last year (%) | Decrease in cost of sales as compared with the corresponding period of last year (%) | Gross profit margin as compared with the corresponding period of last year |
|---|---|---|---|---|---|---|
| Polyester products | 5,981,121 | 5,210,058 | 12.9 | (28.3) | (35.5) | Increased by 9.7 Percentage points |
| Including: | | | | | | |
| Chips | 3, 393, 898 | 2, 964, 227 | 12. 7 | (31. 2) | (37. 6) | Increased by 8.8 percentage points |
| Staple and hollow fibre | 1, 861, 045 | 1, 563, 301 | 16. 0 | (25. 1) | (34. 3) | Increased by 11.7 percentage points |
| Filament | 726, 178 | 682, 530 | 6. 0 | (21. 2) | (28. 4) | Increased by 9.4 percentage points |

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

**5.4 Reasons for the significant changes in the gross margin compared to that of 2008 ( 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 2009, the Group's gross margin from principal operations increased to 12.7 per cent, by 13.2 percentage points compared with 2008. The increase was mainly because the weighted average price of polyester products decreased by 21.8 per cent compared with 2008, while the weighted average price of external purchased polyester raw materials decreased by 33.9 per cent compared with 2008.

**5.5 Capital expenditure**

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

**5.6 Business prospects**

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

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

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

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

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

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

III. Improve product structure and profit contribution from differential products

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

IV. Strictly fine management and greatly reduce cost and expenses

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

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

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

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

# 6. SIGNIFCANT EVENTS

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

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

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.

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

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

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

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

The Group's material connected transactions entered into during the period ended 30 June 2009 were as follows:
（a）The following is the significant connected transactions relating to ordinary operation during the reporting period:

| Type of transaction | Transaction parties | Amount of transaction Rmb'000 | Proportion of the same type of transaction (%) |
|---|---|---|---|
| Purchase of raw materials | Sinopec and its subsidiaries | 2,923,530 | 60.2% |

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

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

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

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

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

6.12 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.

6.13 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 2009.

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

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

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

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

**Consolidated Balance Sheet**
**as at 30 June 2009 - *unaudited***

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

**Consolidated Balance Sheet**
**as at 30 June 2009 – *unaudited (continued)***

| | *Note* | **At 30 June 2009** ***RMB'000*** | At 31 December 2008 *RMB'000* |
|---|---|---|---|
| **Equity** | | | |
| Share capital | | 4,000,000 | 4,000,000 |
| Share premium | | 2,518,833 | 2,518,833 |
| Reserves | *12* | (176,076) | 1,279,928 |
| Retained profits/(accumulated losses) | | 493,717 | (1,272,229) |
| **Total equity** | | 6,836,474 | 6,526,532 |

**Consolidated Statement of Changes in Equity**
**for the six months ended 30 June 2009 - *unaudited***

| | Share capital *RMB'000* | Share premium *RMB'000* | Reserves *RMB'000* | Retained profits/ (accumulated losses) *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|
| **Balance at 1 January 2008** | 4,000,000 | 2,518,833 | 1,279,928 | 369,088 | 8,167,849 |
| **Changes in equity for the six months ended 30 June 2008:** | | | | | |
| Total comprehensive expenses for the period | - | - | - | (261,761) | (261,761) |
| **Balance at 30 June 2008 and 1 July 2008** | 4,000,000 | 2,518,833 | 1,279,928 | 107,327 | 7,906,088 |
| **Changes in equity for the six months ended 31 December 2008:** | | | | | |
| Total comprehensive expenses for the period | - | - | - | (1,379,556) | (1,379,556) |
| **Balance at 31 December 2008 and 1 January 2009** | 4,000,000 | 2,518,833 | 1,279,928 | (1,272,229) | 6,526,532 |
| **Changes in equity for the six months ended 30 June 2009:** | | | | | |
| Make good of losses by surplus reserve (*note 12*) | - | - | (1,456,004) | 1,456,004 | - |
| Total comprehensive income for the period | - | - | - | 309,942 | 309,942 |
| **Balance at 30 June 2009** | 4,000,000 | 2,518,833 | (176,076) | 493,717 | 6,836,474 |

**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 24 August 2009.

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

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

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

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

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

## 2 Changes in accounting policies

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

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

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

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

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

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

## 3 Segment reporting

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

(a) Segment results and assets

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

Segment assets represent property, plant and equipment and inventories.

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

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

## 3 Segment reporting (continued)

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

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

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

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

## 3 Segment reporting (continued)

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

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

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

## 4 Business combination

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

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

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

| | *RMB'000* |
|---|---|
| Sales | 262,649 |
| Net loss | 40,748 |

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

Details of identifiable assets and liabilities are as follows:

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

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

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

## 4 Business combination (continued)

Cash outflow to acquire business, net of cash acquired:

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

## 5 Turnover

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

## 6 Profit/(loss) before taxation

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

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

## 6 Profit/(loss) before taxation (continued)

### *(b) Other items:*

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

## 7 Income tax

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

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

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

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

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

## 8 Dividend

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

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

## 9 Earnings/(loss) per share

### *(a) Basic earnings/(loss) per share*

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

### *(b) Diluted earnings/(loss) per share*

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

## 10 Trade and other receivables

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

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

## 10 Trade and other receivables (continued)

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

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

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

## 11 Trade and other payables

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

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

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

## 12 Reserves

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

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

## 13 Comparative figures

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

**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 2009.

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

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

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

| | *The Group* | | *The Company* | |
|---|---|---|---|---|
| | *At 30 June 2009* | *At 31 December 2008* | *At 30 June 2009* | *At 31 December 2008* |
| Liabilities and shareholders' funds | | | | |
| Current liabilities | | | | |
| Accounts payable | 846,174 | 1,004,018 | 883,329 | 1,004,018 |
| Bills payable | 320,000 | 115,000 | 320,000 | 115,000 |
| Advances from customers | 192,228 | 244,437 | 194,704 | 244,437 |
| Employee benefits payable | 118,186 | 61,345 | 112,838 | 61,345 |
| Taxes payable | 5,835 | 17,979 | 4,600 | 17,979 |
| Other payables | 305,510 | 290,915 | 315,349 | 290,915 |
| Provisions | 5,198 | 5,198 | 5,198 | 5,198 |
| Total current liabilities | 1,793,131 | 1,738,892 | 1,791,018 | 1,738,892 |
| Non-current liabilities | | | | |
| Deferred income | 19,762 | 15,000 | 19,762 | 15,000 |
| Total non-current liabilities | 19,762 | 15,000 | 19,762 | 15,000 |
| Total liabilities | 1,812,893 | 1,753,892 | 1,810,780 | 1,753,892 |
| Shareholders' equity | | | | |
| Share capital | 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 |
| Accumulated losses | (135,794) | (1,899,776) | (99,697) | (1,899,776) |
| Total equity | 6,971,370 | 6,663,392 | 7,007,467 | 6,663,392 |
| Total liabilities and shareholders' equity | 8,784,263 | 8,417,284 | 8,818,247 | 8,417,284 |

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

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

**Consolidated statement of changes in shareholder's equity *(unaudited)***
For the six months ended 30 June
*(Expressed in thousands of Renminbi yuan)*

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

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

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

## 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 profit/(loss) attributable to equity shareholders of the Company is analysed as follows:

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

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

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

Note:

(a) Under 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 4th meeting of the Audit Committee of the Board of the Company was held on 24 August 2009, 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

24 August 2009, Nanjing

As of the date of this announcement, the directors of the Company 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. Qin Wei-zhong, Mr. Shen Xi-jun, Mr. Shi Zhen-hua*, Mr. Qiao Xu*, Mr. Yang Xiong-sheng*, Mr. Chen Fang-zheng*.

** Independent Directors*