Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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)

Announcement of the semi-annual results for the six months ended 30 June, 2010

The Board of Directors ("**the Board**") of Sinopec Yizheng Chemical Fibre Company Limited ("**the Company**") hereby presents the semi-annual results of the Company and its subsidiary ("**the Group**") for the six months ended 30 June 2010.

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 semi-annual report and individually and jointly accept full responsibility for the authenticity, accuracy and completeness of the information contained in this semi-annual report.

1.2 The semi-annual financial report contained therein is unaudited.

1.3 Mr. Xiao Wei-zhen, Vice Chairman and General Manager, Mr. Li Jian-ping, Chief Financial Officer and Ms. Xu Xiu-yun, Supervisor of the Asset and Accounting Department of the Company warranted the authenticity and completeness of the financial statements contained in the semi-annual 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 semi-annual financial report prepared in accordance with International Accounting Standard ("IAS") 34 *Semi-annual Financial Reporting* (Consolidated and unaudited)

	For the six months ended 30 June	
	2010 ***Rmb '000***	2009 *Rmb '000*
Turnover	7, 596, 517	6,135,575
Profit before taxation	241, 732	310,597
Income tax expense	(189, 773)	655
Profit attributable to equity shareholders of the Company	431, 505	309,942
Basic and diluted earnings per share	**Rmb 0.108**	Rmb 0.077

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

	As at 30 June 2010 *Rmb '000*	As at 31 December 2009 *Rmb '000*	Increase /(decrease) from last year (%)
Total assets	**9,688,965**	9,145,813	5.9
Total equity attributable to equity shareholders of the Company	**7,475,275**	7,045,410	6.1
Net assets per share attributable to equity shareholders of the Company	**Rmb 1.869**	Rmb 1.761	6.1
	For the six months ended 30 June 2010 ***Rmb '000***	For the six months ended 30 June 2009 *Rmb '000*	Increase/(decrease) from corresponding period of last year (%)
Operating profit	**229,313**	302,175	(24.1)
Profit before income tax	**239,113**	307,978	(22.4)
Net profit attributable to equity shareholders of the Company	**429,541**	307,978	39.5
Net profit deducted extraordinary gain and loss attributable to equity shareholders of the Company	**420,150**	303,197	38.6
Basic earnings per share	**Rmb 0.107**	Rmb 0.077	39.5
Diluted earnings per share	**Rmb 0.107**	Rmb 0.077	39.5
Basic earnings per share net of extraordinary gain and loss	**Rmb 0.105**	Rmb 0.076	38.6
Return on net assets	**5.92%**	4.52%	Increased by 1.4 percentage points
Net cash inflow/(outflow) from operating activities	**(447,019)**	814,291	(154.9)
Net cash inflow/(outflow) from operating activities per share	**Rmb (0.112)**	Rmb 0.204	(154.9)

2.2.3 Extraordinary gain and loss items and amount (figures are based on the semi-annual financial report prepared in accordance with the PRC Accounting Standards for Business Enterprises)

(Consolidated and unaudited)

Extraordinary gain and loss	Amount *(Rmb '000)*
Disposal of non-current assets	9,015
Government grants recognized in profit or loss during the current period	584
Employee reduction expenses	(409)
Other non-operating income and expenses excluding the aforesaid items	201
Effect of income tax*	0
Total	9,391

* As the Group made up the previous years' losses during the current period and therefore suffered tax losses, and has not recognized deferred tax assets in respect of the current tax losses, the above extraordinary gain and loss items have no effect on taxation.

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

	Net profit attributable to equity shareholders of the Company		Total equity attributable to equity shareholders of the Company	
	For the six months ended 30 June 2010 Rmb '000	For the six months ended 30 June 2009 Rmb '000	**As at 30 June 2010 Rmb '000**	As at 1 January 2010 Rmb '000
PRC Accounting Standards for Business Enterprises	**429,541**	307,978	**7,475,275**	7,045,410
IFRSs	**431,505**	309,942	**7,344,308**	6,912,479
Explanations for difference	Please refer to the section 7.3 of this semi-annual 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 2010, there were 37,813 shareholders in the Company, including 3,155 shareholders holding social public share (A share), 2 shareholders holding legal person share (A share) and 656 shareholders holding H share.

3.3 As at 30 June 2010, 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	37,813
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 pers on shareholder	1,680,000,000	42.00	1,680,000,000	Nil
Hong Kong Securities Clearing Company (“**HKSCC**”) (Nominees) Limited***	Overseas capital shareholder	1,384,021,005	34.60	Circulating shares	Nil
CITIC Group Corporation (“**CITIC**”) **	Domestic legal pers on shareholder	720,000,000	18.00	720,000,000	Nil
China Construction Bank-CIFM China Advantage Securities Investment Fund	Domestic circulating shares	24,823,079	0.62	Circulating shares	Not applicable
Bank of China-Jiashi Development Income-type Securities Investment Fund	Domestic circulating shares	6,475,908	0.16	Circulating shares	Not applicable
Zhang Xin-Ming	Domestic circulating shares	2,374,300	0.06	Circulating shares	Not applicable
Lin You-ming	Domestic circulating shares	1,977,103	0.05	Circulating shares	Not applicable
Shanxi Jinrui Investing Company Limited	Domestic circulating shares	1,494,592	0.04	Circulating shares	Not applicable
Chen Run-juan	Domestic circulating shares	1,472,990	0.04	Circulating shares	Not applicable

Lu Bao-hong	Domestic circulating shares	1,304,000	0.03	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***	1,384,021,005	"H" shares
China Construction Bank-CIFM China Advantage Securities Investment Fund	24,823,079	Circulating "A" shares
Bank of China-Jiashi Development Income-type Securities Investment Fund	6,475,908	Circulating "A" shares
Zhang Xin-Ming	2,374,300	Circulating "A" shares
Lin You-ming	1,977,103	Circulating "A" shares
Shanxi Jinrui Investing Company Limited	1,494,592	Circulating "A" shares
Chen Rui-juan	1,472,990	Circulating "A" shares
Lu Bao-hong	1,304,000	Circulating "A" shares
HING SHING FAR EAST DEVELOPMENT LTD	1,000,000	"H" shares
Guan Kai-qiong	962,334	"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 2010, (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	Short position (shares)

		(%)	(%)	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 2010, 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 2010, 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.

The twelfth meeting of the sixth session of the Board of the Company held on 6 August 2010 considered and approved the resolution regarding the request of Mr. Qian Heng-ge to resign from his position as a director. The Board announced that it has accepted the resignation of Mr. Qian Heng-ge, a director of the Company, from his position as a director as he reached the retirement age. The Board highly appraised Mr. Qian for his diligent and dedicated work for many years and expressed its sincere gratitude to Mr. Qian for his contribution to the Company during his term of office. The meeting considered and approved the resolution to nominate Mr. Lu Liyong as a candidate for a director of the sixth session of the Board, which will be submitted as proposal to the first extraordinary general meeting for 2010 of the Company held on 28 September 2010 for approval by the shareholders.

4.2 Directors', Supervisors' and Senior Management's interests in shares
At the end of the reporting period, Mr. Qian Heng-ge, former 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 2010, 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 2010, 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 semi-annual financial report prepared in accordance with IAS 34 Semi-annual Financial Reporting.

5.1 Market review

In the first half of 2010, the prices of polyester raw materials significantly increased compared with the corresponding period of last year was mainly due to the prices of global crude oil continually fluctuated at a high level. Meanwhile, due to the combined effect of stably growth in domestic demand and sustained recovery in demand from overseas customers for downstream textiles, the domestic polyester industry was on the track of recovery, and the prices of polyester products increased distinctly compared with the corresponding period of last year. But due to the oversupply condition of domestic polyester capacity, the operational environment for polyester industry was still in a tough situation.

In the first half of 2010, the newly-added polyester production capacity was about 880,000 tonnes, and the total polyester production capacity amounted to 27.82 million tonnes at the end of first half of 2010. As a result, the oversupply condition of domestic polyester capacity was not changed. Total domestic supply volume of polyester fibre was 12,527,900 tonnes, an increase of 9.5 per cent compared with the corresponding period of last year, of which, the domestic production volume increased by 13.2 per cent. Meanwhile, due to the sustained recovery of downstream textile export, the PRC's export volume of textile and clothes rise to 88.878 billion US dollars, 22.1 percentage points higher than that of the corresponding period of 2009. Total domestic consumption volume of polyester fibre was 11,125,300 tonnes, an increase of 8.2 per cent compared with the corresponding period of 2009, the domestic demand for polyester fibre increased steadily as well.

5.2 Production operational review

In the first half of 2010, by chasing the favor opportunity of incenting domestic demand policy implemented by the Chinese Government as well as high price of global crude oil and the rise in the prices of polyester raw materials and products, the Group endeavoured to expand its markets, 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

	2010	2009	Increase/(decrease) (%)
Polyester products			
Polyester chips	512,741	541,374	(5.3)
Bottle-grade polyester chips	157,481	214,600	(26.6)
Staple fibre	238,446	229,330	4.0
Hollow fibre	24,584	24,746	(0.7)
Filament	108,614	119,150	(8.8)
Total	1,041,866	1,129,200	(7.7)

Sales volume (tonnes)

	For the six months ended 30 June		
	2010	2009	Increase/(decrease) (%)
Polyester products			
Polyester chips	339, 430	302, 864	12.1
Bottle-grade polyester chips	156, 097	213, 189	(26.8)
Staple fibre	233, 848	229, 343	2.0
Hollow fibre	22, 805	23, 497	(2.9)
Filament	82, 208	88, 618	(7.2)
Total	834, 388	857, 511	(2.7)

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

	For the six months ended 30 June		
	2010	2009	Change（%）
Polyester products			
Polyester chips	8, 430	6, 525	29. 2
Bottle-grade polyester chips	8, 681	6, 657	30. 4
Staple fibre	9, 178	7, 343	25. 0
Hollow fibre	10, 241	8, 205	24. 8
Filament	10, 191	8, 259	23. 4
Weighted average price	8, 910	7, 155	24. 5

Turnover

	For the six months ended 30 June			
	2010		2009	
	Turnover	**Percentage of turnover**	Turnover	Percentage of turnover
	Rmb'000	(%)	Rmb'000	(%)
Polyester products				
Polyester chips	2, 861, 501	37. 7	1, 976, 311	32. 2
Bottle-grade polyester chips	1, 355, 044	17. 8	1, 419, 186	23. 2
Staple fibre	2, 146, 320	28. 3	1, 683, 963	27. 4
Hollow fibre	233, 545	3. 1	192, 787	3. 2
Filament	837, 774	11. 0	731, 908	11. 9
Others	162, 333	2. 1	131, 420	2. 1
Total	7, 596, 517	100. 0	6, 135, 575	100. 0

In the first half of 2010, because the increase in prices of polyester raw material was more than that of polyester products, the profit margin of polyester products of the Company decreased compared with the corresponding period of 2009. The Group increased profit by strengthening fine management, making efforts to reduce its costs and expenses and increasing profit contribution from differential products. The Group's profit before taxation was Rmb 241,732,000, a decrease of 22.2 per cent compared to Rmb 310,597,000 for the corresponding period of 2009. Due to increase in deferred tax assets of the Company, profit attributable to equity shareholders of the Company was Rmb 431,505,000, an increase of 39.2 per cent compared to Rmb 309,942,000 for the corresponding period of 2009.

As at 30 June 2010, the Group's total assets were Rmb 9,557,998,000, total liabilities were Rmb 2,213,690,000, and total equity attributable to equity shareholders of the Company was Rmb 7,344,308,000. Compared with the assets and liabilities as at 31 December 2009 (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 9,557,998,000, an increase of Rmb 545,116,000 compared with the end of last year. Current assets were Rmb 5,276,212,000, an increase of Rmb 528,307,000 compared with the end of last year. The increase was mainly due to the increase in inventories by Rmb 694,524,000 owing to the rise in prices of products and raw materials and volume of inventories in the first half of 2010, and the increase in the Group's cash and cash equivalents by Rmb 349,836,000, and Meanwhile, available-for-sale financial assets decreased by Rmb 700,000,000 owing to redemption of bank financial investment purchased at last year end during the current period. Non-current assets were Rmb 4,281,786,000, an increase of Rmb 16,809,000 compared with the end of last year.

Total liabilities were Rmb 2,213,690,000, an increase of Rmb 113,287,000 compared with the end of last year. Current liabilities were Rmb 2,165,190,000, an increase of Rmb 86,043,000 compared with the end of last year, mainly due to the increase of Rmb 91,241,000 in trade and other payables during the current period. Non-current liabilities were Rmb 48,500,000, an increase of Rmb 27,244,000 compared with the end of last year, mainly due to the increase of Rmb 27,750,000 in receipts of government grant in the first half of 2010.

Total equity attributable to equity shareholders of the Company was Rmb 7,344,308,000, an increase of Rmb 431,829,000 compared with the end of last year, mainly due to the profit attributable to equity shareholders of the Group amounting to Rmb 431,505,000 in the first half of 2010.

As at 30 June 2010, total liabilities to total assets ratio was 23.2 per cent, whereas 23.3 per cent as at 31 December 2009.

As at 30 June 2010, the Group's bank loans were nil (as at 31 December 2009: nil).

The debt-equity ratio of the Group was zero for the first half of 2010 (first half of 2009: 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 2010 in accordance with the PRC Accounting Standards for Business Enterprises.

Products	Operating income Rmb'000	Cost of sales Rmb'000	Gross profit margin (%)	Increase/(decrease) in operating income as compared with the corresponding period of last year (%)	Increase/(decrease) in cost of sales as compared with the corresponding period of last year (%)	Gross profit margin as compared with the corresponding period of last year
Polyester products	7, 434, 184	6, 910, 267	7. 0	23. 8	28. 2	Decreased by 3.2 Percentage points
Including:						
Polyester Chips	2, 861, 501	2, 648, 309	7. 5	44. 8	53. 8	Decreased by 5.4 percentage points
Bottle-grade polyester chips	1, 355, 044	1, 274, 697	5. 9	(4. 5)	(3. 1)	Decreased by 1.4 percentage points
Staple and hollow fibre	2, 379, 865	2, 179, 148	8. 1	26. 8	34. 7	Decreased by 5.7 percentage points
Filament	837, 774	808, 113	3. 5	14. 5	10. 0	Increased by 3.8 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 Operating income by regions

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

Region	Operating income Rmb'000	Increase /(decrease) from last year (%)
Mainland	7,110,027	22.2
Hong Kong, Macau, Taiwan, and overseas	486,490	53.2

5.5 Capital expenditure

In the first half of 2010, the Group's capital expenditure amounted to Rmb 91,166,000. The amount was mainly invested in the construction of 1,000 tonnes-grade high performance polyethylene fiber project and 1,4-Butanediol project with an annual capacity of 100,000 tonnes, and the operational improvement of the aramid fiber project with an annual capacity of 100 tonnes, and some technical reform so as to increase profit for the existing assets.

5.6 Business prospects

In the second half of 2010, the Group will continue to face a tough operating situation. Firstly, there are some uncertainties in the recovery of global economy. Secondly, the impact of the PRC's textile and clothing exports from Renminbi appreciation and Europe debt crisis will be increased, which will bring down the recovering demand from overseas customers for the downstream textiles. Thirdly, it is estimated that several new polyester projects will commence operation in the second half of 2010 in the PRC. This will further intensify the imbalance between products supply and demand.

Meanwhile, we see that in the second half of 2010, the Chinese economy will continue to maintain at a rapid growth, and domestic consumption will be further expanded, which will provide an opportunity to increase demand for polyester products.

In the second half of 2010, faced with a difficult 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 2010:

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. Priorities will be given to PTA facility to ensure a safe and stable production, and to achieve a target on increasing PTA production volume. The Group will continuously improve product quality, upgrade the stability of product quality and the adaptability of consumers. In the second half of 2010, the Group's projected production volume of polyester products is 1,109,000 tonnes, and the projected 2010 annual production volume of polyester products is 2,151,000 tonnes, 4.0 per cent lower than production volume in 2009. The Group's projected production volume of PTA for the second half of 2010 is 530,000 tonnes. The projected 2010 annual production volume of PTA is 1,031,000 tonnes, 0.8 per cent higher than that in 2009.

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 further balance materials supply with, production and sales. The Group will make greater efforts in selling products, specially differential and specialized products, to strive for greater profit. Meanwhile, the Group will 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. In the second half of 2010, the Group's projected sales volume of polyester products is 887,000 tonnes. The 2010 projected sales volume of polyester products is 1,721,000 tonnes, a decrease of 0.2 per cent from that of 2009. The ratio of sales to production is expected to reach 100 per cent in the second half of 2010.

III. Improve product structure and profit contribution from differential products

The Group will further optimize product structure to meet market demand, and expand the production of specialized and differential products which have strong profitability. 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 2010, the Group's projected production volume of specialized polyester chips and differential fibre products is 448,000 tonnes and 317,000 tonnes respectively. Specialized rates are expected to be 85.4 per cent and differential rates are expected to be 87.5 per cent.

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

The Group will continue to carry out the measures drafted at the beginning of 2010 for reducing costs and expenses. The Group will further implement overall budget management and strictly manage extrabudgetary expenses to meet the expense control target. The Group will continually improve energy efficiency, and reduce emission of pollutants, and consumption of raw materials and energy. The Group will strive to realize the annual target on saving energy by organizing technical improvement and taking full advantage of the energy saving projects, such as natural gas replacing heavy oil project, air-separating facilities and marsh gas power generation project.

V. Speed up the adjustment of industrial structure

The Group will continue to focus on construction of new projects, so as to speed up the work of "Optimizing existing assets and restructuring and upgrading incremental assets". The Group will meticulously organize the construction of the 1,000 tonnes-grade high performance polyethylene fiber project, and ensure this project to be completed and commence operations in 2011. Meanwhile, the Group will make preparation for the pre-sales and exert great efforts to expand the market and application fields of high performance polyethylene fiber products. Well-organized and implemented to the construction of 1,4-Butanediol project with an annual capacity of 100,000 tonnes, which is expected to be put into operation in 2012. The Group will exert great efforts to the stable operation of the aramid fiber project with an annual 100 tonnes and make preparation for the start of construction of 1,000 tonnes-grade aramid fibre project.

The Group's capital expenditure for the second half of 2010 is projected to be approximately Rmb 621,030,000. Including: 1,000 tonnes-grade high performance polyethylene fiber project and 1,4-Butanediol project with an annual capacity of 100,000 tonnes amounting to Rmb 110,000,000 and Rmb400,000,000 respectively. In the second half of 2010, in order to maximize return on investment, the Group will arrange the schedule of capital expenditure in accordance with the prudential principle. The planned capital expenditures will be funded from cash generated from operations and bank credit facilities.

6. SIGNIFCANT EVENTS

6.1 As approved by 2009 AGM held on 8 June 2010, the Company did not pay a final cash dividend for the year ended 31 December 2009 to continually make good the Company's previous years' losses, 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 semi-annual dividend be paid for the year ending 31 December 2010.

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.

6.5 Information on connected transactions
The tenth meeting of the sixth term of the Board held on 29 March 2010 considered and approved the connected transaction in relation to the provision of sales agency services by Sinopec for the sale of certain products of the Group, the resolution to revise the annual caps of financial services by CITIC Bank and relative agreements and announcement. At the 2009 AGM held on 8 June 2010, independent shareholders discussed and approved the resolution to revise the annual caps of financial services by CITIC Bank.

At the 2009 AGM held on 8 June 2010, independent shareholders discussed and approved the resolution of 2010 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 2010 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	3,151,230	47.9

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

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

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

For details of connected transactions during the reporting period, please refer to note 6 of the semi-annual financial report prepared in accordance with PRC Accounting Standards for Business Enterprises.

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 2010, 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 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.

6.12 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. SEMI-ANNUAL FINANCIAL REPORT (unaudited)

7.1 Semi-annual financial report prepared in accordance with IAS 34 "Semi-annual Financial Reporting"

The following financial information has been extracted from the Group's unaudited semi-annual financial report, prepared in accordance with IAS 34 "Semi-annual Financial Reporting", for the six months ended 30 June 2010.

Consolidated income statement
for the six months ended 30 June 2010 – *unaudited*

	Note	**Six months ended 30 June** **2010** ***RMB'000***	2009 *RMB'000*
Turnover	*4*	7,596,517	6,135,575
Cost of sales		(7,084,439)	(5,520,524)
Gross profit		512,078	615,051
Other income	*5*	10,042	9,195
Distribution costs		(98,331)	(98,185)
Administrative expenses		(203,253)	(216,564)
Other expenses		(542)	(7,782)
Profit from operations		219,994	301,715
Finance income	*6(a)*	24,275	13,046
Finance expenses	*6(a)*	(2,537)	(4,164)
Net finance income	*6(a)*	21,738	8,882
Profit before taxation	*6*	241,732	310,597
Income tax	*7(b)*	189,773	(655)
Profit and total comprehensive income for the period attributable to equity shareholders of the Company		431,505	309,942
Basic and diluted earnings per share (in RMB)	*9*	0.108	0.077

Consolidated Balance Sheet
as at 30 June 2010- *unaudited*

	Note	**At 30 June 2010** ***RMB'000***	At 31 December 2009 *RMB'000*
Non-current assets			
Property, plant and equipment	*10*	3,702,571	3,774,911
Construction in progress		226,809	325,812
Lease prepayments		118,323	119,944
Deferred tax assets	*7(c)*	234,083	44,310
		4,281,786	4,264,977
Current assets			
Available-for-sale financial assets		-	700,000
Inventories		2,002,543	1,308,019
Trade and other receivables	*11*	1,694,458	1,405,519
Deposits with banks and other financial institutions	*12*	454,608	559,600
Cash and cash equivalents	*13*	1,124,603	774,767
		5,276,212	4,747,905
Current liabilities			
Trade and other payables	*14*	2,165,190	2,073,949
Provisions		-	5,198
		2,165,190	2,079,147
Net current assets		3,111,022	2,668,758
Total assets less current liabilities		7,392,808	6,933,735
Non-current liabilities			
Deferred income	*15*	48,500	21,256
Net assets		7,344,308	6,912,479

Consolidated Balance Sheet
as at 30 June 2010 - *unaudited* *(continued)*

	Note	**At 30 June 2010** ***RMB'000***	At 31 December 2009 *RMB'000*
Equity			
Share capital		4,000,000	4,000,000
Share premium		2,518,833	2,518,833
Reserves	*16*	(175,752)	(176,076)
Retained profits		1,001,227	569,722
Total equity attribute to equity shareholders of the Company		7,344,308	6,912,479

Consolidated Statement of Changes in Equity
for the six months ended 30 June 2010 - 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 2009	4,000,000	2,518,833	1,279,928	(1,272,229)	6,526,532
Make good of losses by reserve	-	-	(1,456,004)	1,456,004	-
Total comprehensive income for the period	-	-	-	309,942	309,942
Balance at 30 June 2009 and 1 July 2009	4,000,000	2,518,833	(176,076)	493,717	6,836,474
Total comprehensive income for the period	-	-	-	76,005	76,005
Balance at 31 December 2009 and 1 January 2010	4,000,000	2,518,833	(176,076)	569,722	6,912,479
Specific reserve accrued (*note 16*)	-	-	324	-	324
Total comprehensive income for the period	-	-	-	431,505	431,505
Balance at 30 June 2010	4,000,000	2,518,833	(175,752)	1,001,227	7,344,308

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 semi-annual 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, *Semi-annual financial reporting*, issued by the International Accounting Standards Board **("IASB")**. This semi-annual financial report was authorised for issuance on 23 August 2010.

The semi-annual financial report has been prepared in accordance with the same accounting policies adopted in the 2009 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2010 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an semi-annual 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 semi-annual financial report contains condensed consolidated financial report and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2009 annual financial statements. The condensed consolidated semi-annual financial report and notes thereon do not include all of the information required for a full set of financial report prepared in accordance with International Financial Reporting Standards **("IFRSs")**.

The semi-annual financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagement 2410, *Review of semi-annual financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. KPMG's independent review report to the Board of Directors is included on pages 1 to 2.

The financial information relating to the financial year ended 31 December 2009 that is included in the semi-annual 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 2009 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 29 March 2010. The 2009 annual financial statements have been prepared in accordance with IFRSs.

2 Changes in accounting policies

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

- IFRS 3 (revised 2008), Business combinations
- Amendments to IAS 27, Consolidated and separate financial statements
- Amendments to IFRS 5, Non-current assets held for sale and discontinued operations – plan to sell the controlling interest in a subsidiary
- Improvements to IFRSs (2009)

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

The developments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods, for the following reasons:

- The impact of the majority of the revisions to IFRS 3, IAS 27 and IFRS 5 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination or a disposal of a subsidiary) and there is no requirement to restate the amounts recorded in respect of previous such transactions.
- The impact of the amendments to IFRS 3 (in respect of recognition of acquiree's deferred tax assets) and IAS 27 (in respect of allocation of losses to non-controlling interests (previously known as minority interests) in excess of their equity interest) have had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.

Further details of these changes in accounting policy are as follows:

- As a result of the adoption of IFRS 3 (revised 2008), any business combination acquired on or after 1 January 2010 will be recognised in accordance with the new requirements and detailed guidance contained in IFRS 3 (revised 2008). These include the following changes in accounting policies:
  - Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.
  - If the Group holds interests in the acquiree immediately prior to obtaining control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.
  - Contingent consideration will be measured at fair value at the acquisition date. Any subsequent changes in the measurement of that contingent consideration will be recognised in profit or loss, unless they arise from obtaining additional information about facts and circumstances that existed at the acquisition date within 12 months from the date of acquisition (in which case they will be recognised as an adjustment to the cost of the business combination). Previously, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably. All subsequent changes in the measurement of contingent consideration and from its settlement were previously recognised as an adjustment to the cost of the business combination and therefore impacted the amount of goodwill recognised.
  - If the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, then any subsequent recognition of these assets will be recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy.

2 Changes in accounting policies *(continued)*

- In addition to the Group's existing policy of measuring the non-controlling interests (previously known as the "minority interests") in the acquiree at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, in future the Group may elect, on a transaction by transaction basis, to measure the non-controlling interest at fair value.

In accordance with the transitional provisions in IFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax assets will also be applied prospectively to accumulated tax losses and other temporary deductible differences acquired in previous business combinations. No adjustments have been made to the carrying values of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

3 Segment reporting

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

(a) Segment results and assets

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

In addition to receiving segment information concerning "gross profit", management is provided with segment information concerning revenue (including inter-segment sales), depreciation, amortisation and impairment.

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	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
For the six months ended 30 June														
Revenue from external customers	2,861,501	1,976,311	1,355,044	1,419,186	2,379,865	1,876,750	837,774	731,908	-	-	162,333	131,420	7,596,517	6,135,575
Inter-segment revenue	46,671	59,884	-	-	-	-	-	-	-	-	-	-	46,671	59,884
Reportable segment revenue	**2,908,172**	**2,036,195**	**1,355,044**	**1,419,186**	**2,379,865**	**1,876,750**	**837,774**	**731,908**	**-**	**-**	**162,333**	**131,420**	**7,643,188**	**6,195,459**
Gross profit/(loss) from external customers	213,192	254,519	80,347	103,552	200,717	258,727	29,661	(2,521)	-	-	(11,839)	774	512,078	615,051
Inter-segment profit	3,267	7,785	-	-	-	-	-	-	-	-	-	-	3,267	7,785
Reportable segment profit/ (loss)	**216,459**	**262,304**	**80,347**	**103,552**	**200,717**	**258,727**	**29,661**	**(2,521)**	**-**	**-**	**(11,839)**	**774**	**515,345**	**622,836**
Depreciation and amortisation	31,250	32,749	19,069	22,314	19,206	20,571	7,575	15,783	116,406	115,122	46,486	41,902	239,992	248,441
Impairment of PP&E	246	-	-	-	-	-	-	-	54	4,390	-	-	300	4,390
Write-down of inventories	-	-	-	-	-	-	-	19,892	-	-	-	-	-	19,892
As at 30 June 2010 and 31 December 2009														
Reportable segment assets	**685,126**	**647,577**	**399,978**	**403,198**	**453,001**	**401,468**	**211,722**	**231,800**	**1,136,225**	**1,246,283**	**1,001,389**	**931,449**	**3,887,441**	**3,861,775**

Revenues from segments below the quantitative thresholds are mainly attributable to five operating segments of the Group including one logistic center, one power center, one water supply center, one thermal center and one high-fibre center. None of those segments met any of the quantitative thresholds for determining reportable segments.

3 Segment reporting (continued)

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

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Revenue		
Revenue for reportable segments excluding other revenue	7,480,855	6,064,039
Other revenue	162,333	131,420
Elimination of inter-segment revenue	(46,671)	(59,884)
Consolidated turnover	7,596,517	6,135,575

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Profit		
Profits for reportable segments excluding other profit	527,184	622,062
Other (loss)/ profit	(11,839)	774
Elimination of inter-segment profit	(3,267)	(7,785)
Consolidated gross profit	512,078	615,051
Other income	10,042	9,195
Distribution costs	(98,331)	(98,185)
Administrative expenses	(203,253)	(216,564)
Other expenses	(542)	(7,782)
Net finance income	21,738	8,882
Consolidated profit before taxation	241,732	310,597

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Depreciation and amortisation		
Depreciation and amortisation for reportable segments excluding other depreciation and amortisation	193,506	206,539
Other depreciation and amortisation	46,486	41,902
Unallocated depreciation and amortization	16,021	15,852
Consolidated total depreciation and amortisation	256,013	264,293

3 Segment reporting *(continued)*

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

	At 30 June 2010	At 31 December 2009
	RMB'000	*RMB'000*
Assets		
Assets for reportable segments excluding other assets	2,886,052	2,930,326
Other assets	1,001,389	931,449
Unallocated assets	1,820,352	1,222,917
Elimination of inter-segment balances	(2,679)	(1,762)
	5,705,114	5,082,930
Other non-current assets	579,215	490,066
Available-for-sale financial assets	-	700,000
Trade and other receivables	1,694,458	1,405,519
Deposits with banks and other financial institutions	354,608	559,600
Cash and cash equivalents	1,224,603	774,767
Consolidated total assets	9,557,998	9,012,882

	Six months ended 30 June	
	2010	**2009**
	RMB'000	*RMB'000*
Impairment of PP&E		
Impairment of PP&E for reportable segments and consolidated total impairment of PP&E	300	4,390

	Six months ended 30 June	
	2010	**2009**
	RMB'000	*RMB'000*
Write-down of inventories		
Write-down of inventories for reportable segments and consolidated total write-down of inventories	-	19,892

4 Turnover

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

5 Other income

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Net gain on disposal of property, plant and equipment	9,015	8,890
Others	1,027	305
Other income	10,042	9,195

6 Profit before taxation

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

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
(a) Net finance income:		
Interest income	(21,300)	(8,303)
Net foreign exchange gain	(2,102)	(4,743)
Net gain on disposal of available-for-sale financial assets	(873)	-
Finance income	(24,275)	(13,046)
Interest on borrowings	-	4
Interest on discounting bills	1,878	3,444
Interest expense	1,878	3,448
Others	659	716
Finance expenses	2,537	4,164
Net finance income	(21,738)	(8,882)

6 Profit/(loss) before taxation (continued)

(b) Other items:

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Cost of inventories#	7,084,439	5,520,524
Depreciation#	254,392	262,672
Impairment losses of property, plant and equipment	300	4,390
Write-down of inventories#	-	19,892
Amortisation of lease prepayments	1,621	1,621
Net gain on disposal of property, plant and equipment	(9,015)	(8,890)

#Cost of inventories includes RMB 227,238,000 (six months ended 30 June 2009: RMB 257,755,000) relating to depreciation and write-down of inventories which amount is also included in the respective total amounts disclosed separately in note 6(b) for each of these types of expenses.

7 Income tax

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

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Recognition of deferred tax assets	190,428	-
Reversal of deferred tax assets	(655)	(655)
	189,773	(655)

The charge for PRC income tax is calculated at the rate of 25% (six months ended 30 June 2009: 25%) on the estimated assessable income of the period determined in accordance with relevant income tax rules and regulations. The Company did not carry out business overseas and therefore does not incur overseas income taxes.

7 Income tax *(continued)*

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

	Balance at 1 January 2009 *RMB'000*	Recognised in consolidated statement of comprehensive income *RMB'000*	Balance at 30 June 2009 *RMB'000*	Recognised in consolidated statement of comprehensive income *RMB'000*	Balance at 31 December 2009 *RMB'000*	Recognised in consolidated statement of comprehensive income *RMB'000*	Balance at 30 June 2010 *RMB'000*
Current							
Write-down of inventories	-	-	-	-	-	4,462	4,462
Impairment for receivables	-	-	-	-	-	618	618
Accrued sales rebate	-	-	-	-	-	14,864	14,864
Non-current							
Revaluation of land use rights	45,620	(655)	44,965	(655)	44,310	(655)	43,655
Depreciation difference of property, plant and equipment	-	-	-	-	-	10,296	10,296
Impairment for property, plant and equipment	-	-	-	-	-	94,790	94,790
Impairment for investment in subsidiary	-	-	-	-	-	53,273	53,273
Deferred income	-	-	-	-	-	12,125	12,125
	45,620	(655)	44,965	(655)	44,310	189,773	234,083

The Group has not recognised deferred tax assets in respect of:

	At 30 June 2010	
	The Company *RMB'000*	YCFC Jingwei *RMB'000*
Deductible temporary differences	-	277,466
Cumulative unutilised tax losses	586,235	298,708
Total	586,235	576,174

As at 30 June 2010, the Company has not recognised deferred tax assets in respect of cumulative unutilised tax losses amounting to RMB 586,235,000, as it is not probable that losses can be utilised in the relevant tax jurisdiction after the deduction of the temporary differences against the future taxable profits.

As at 30 June 2010, the wholly-owned subsidiary of the Company YCFC Jingwei Fibre Company Limited ("YCFC Jingwei") has not recognised deferred tax assets in respect of deductible temporary differences amounting to RMB 277,466,000 and cumulative unutilised tax losses amounting to RMB 298,708,000, as it is not probable that future taxable profits against which the temporary differences can be deducted and the losses can be utilised will be available in the relevant tax jurisdiction.

7 Income tax *(continued)*

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

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

	At 30 June 2010	
	The Company	**YCFC Jingwei**
	RMB'000	*RMB'000*
2010	-	22,962
2011	-	72,947
2012	-	49,012
2013	586,235	76,159
2014	-	60,009
2015	-	17,619
Total	586,235	298,708

8 Dividend

No final dividend in respect of the financial year 2009 was approved during the period (financial year 2008: RMB nil).

The Board of Directors does not recommend the payment of any semi-annual dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: RMB nil).

9 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB 431,505,000 for the six months ended 30 June 2010 (six months ended 30 June 2009: profit of RMB 309,942,000) and the weighted average number of ordinary shares of 4,000,000,000 (2009: 4,000,000,000) in issue during the period.

(b) Diluted earnings per share

The Group had no dilutive potential ordinary shares in existence during the six months ended 30 June 2010 and 2009.

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

	At 30 June 2009	At 31 December 2008
	RMB'000	*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

10 Property, plant and equipment

Acquisitions and disposals

The acquisitions and disposals of items of property, plant and equipment during the six months ended 30 June 2010 and 2009 are as follows:

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Cost of acquisitions and transfer from construction in progress	190,169	100,295
Additions from business combination	-	308,417
Disposals (net carrying amount)	(7,817)	(26,247)

11 Trade and other receivables

	At 30 June 2010	At 31 December 2009
	RMB'000	*RMB'000*
Trade receivables	205,569	119,614
Bills receivable	1,197,222	1,000,787
Prepayments	10,569	2,734
Amounts due from the parent company and fellow subsidiaries - trade	4,662	4,118
Total trade receivables	1,418,022	1,127,253
Amounts due from the parent company and fellow subsidiaries-non-trade	8,630	10,532
Other receivables	270,276	269,086
	278,906	279,618
Less: Allowance for doubtful debts	(2,470)	(1,352)
Total non-trade receivables	276,436	278,266
	1,694,458	1,405,519

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, prepayments, amounts due from the parent company and fellow subsidiaries - trade is as follows:

	At 30 June 2010	At 31 December 2009
	RMB'000	*RMB'000*
Within 1 year	1,418,022	1,127,253

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

12 Trade and other payables

	At 30 June 2010 *RMB'000*	At 31 December 2009 *RMB'000*
Bills payable	-	240,000
Trade payables	501,906	524,906
Amounts due to the parent company and fellow subsidiaries-trade	1,259,053	926,871
Total trade payables	1,760,959	1,691,777
Amounts due to the parent company and fellow subsidiaries - non-trade	21,615	15,575
Other payables and accrued expenses	382,616	366,597
	2,165,190	2,073,949

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

	At 30 June 2010 *RMB'000*	At 31 December 2009 *RMB'000*
Due within 1 month or on demand	501,906	644,906
Due after 1 month but within 3 months	-	120,000
	501,906	764,906

13 Deferred income

During the six months ended 30 June 2010, the Group received government grant totalling RMB27,750,000 (six months ended 30 June 2009: RMB5,000,000) related to a project under construction. The grant was recognised initially as deferred income and amortised to profit or loss on a straight-line basis over the useful life of the related assets when it is ready for use.

14 Reserves

For the six months ended 30 June 2010, no transfers were made to the statutory surplus reserve, or the discretionary surplus reserve (six months ended 30 June 2009: RMB nil).

During the six months ended 30 June 2010, the Group recognised the specific reserve amounting to RMB324,000 (six months ended 30 June 2009: RMB nil) related to safety fee provided on its specific product in accordance with PRC regulations.

15 Capital commitments

Capital commitments relate primarily to construction of buildings, plant, machinery and purchase of equipment. The Group had capital commitments outstanding at 30 June 2010 not provided for in the semi-annual financial report as follows:

	At 30 June 2010 *RMB'000*	At 31 December 2009 *RMB'000*
Authorised and contracted for	158,256	-
Authorised but not contracted for	152,365	118,103

16 Contingent liability

Income tax differences

With respect to uncertainties about enterprise income tax differences arising from 2006 and before as originated from a tax circular (Circular No.664) issued by the State Administrative of Taxation in June 2007, the Company has been informed by the relevant tax authority to settle the enterprise income tax ("EIT") for 2007 at a rate of 33 percent. To date, the Company has not been requested to pay additional EIT in respect of any years prior to 2007. There is no further development of this matter during the period ended 30 June 2010. No provision has been made in the financial statements for this uncertainty for tax years prior to 2007 because management believes it cannot reliably estimate the amount of the obligation, if any, that might exist.

7.2 Semi-annual financial report prepared in accordance with the PRC Accounting Standards for Business Enterprises

The following financial information has been extracted from the Group's unaudited semi-annual financial report, prepared in accordance with the PRC Accounting Standards for Business Enterprises ("**CAS** "), for the six months ended 30 June 2010.

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

	The Group		*The Company*	
	At 30 June 2010	*At 31 December 2009*	*At 30 June 2010*	*At 31 December 2009*
Assets				
Current assets				
Cash at bank and on hand	1,579,211	1,334,367	1,573,882	1,327,985
Bills receivable	1,197,222	1,000,787	1,197,222	1,000,787
Accounts receivable	210,232	123,022	371,534	298,681
Prepayments	10,569	2,734	10,452	2,698
Other receivables	46,074	36,224	45,409	36,141
Inventories	2,002,543	1,308,019	1,967,471	1,273,345
Available-for-sale financial assets	-	700,000	-	700,000
Other current assets	230,358	242,750	230,358	242,408
Total current assets	5,276,209	4,747,903	5,396,328	4,882,045
Non-current assets				
Long-term equity investments	-	-	-	-
Fixed assets	3,634,001	3,695,828	3,509,240	3,565,795
Construction in progress	226,809	325,812	226,809	325,812
Intangible assets	361,518	376,270	361,518	376,270
Deferred tax assets	190,428	-	190,428	-
Total non-current assets	4,412,756	4,397,910	4,287,995	4,267,877
Total assets	9,688,965	9,145,813	9,684,323	9,149,922

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

	The Group		*The Company*	
	At 30 June 2010	*At 31 December 2009*	*At 30 June 2010*	*At 31 December 2009*
Liabilities and shareholders' funds				
Current liabilities				
Accounts payable	1,583,503	1,181,716	1,573,112	1,172,554
Bills payable	-	240,000	-	240,000
Advances from customers	176,151	258,915	184,807	255,284
Employee benefits payable	132,329	72,122	126,110	71,943
Taxes payable	9,422	17,673	6,513	17,347
Other payables	263,785	303,523	267,328	319,168
Provisions	-	5,198	-	5,198
Total current liabilities	2,165,190	2,079,147	2,157,870	2,081,494
Non-current liabilities				
Deferred income	48,500	21,256	48,500	21,256
Total non-current liabilities	48,500	21,256	48,500	21,256
Total liabilities	2,213,690	2,100,503	2,206,370	2,102,750
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
Specific reserve	324	-	324	-
Retained earnings/ Accumulated losses	367,787	(61,754)	370,465	(59,992)
Total equity	7,475,275	7,045,410	7,477,953	7,047,172
Total liabilities and shareholders' equity	9,688,965	9,145,813	9,684,323	9,149,922

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

	The Group		*The Company*	
	2010	*2009*	*2010*	*2009*
Operating income	7,596,517	6,135,575	7,503,477	6,053,628
Less: Operating costs	6,913,950	5,358,807	6,821,503	5,279,270
Business taxes and surcharges	19,430	16,404	18,632	16,325
Selling and distribution expenses	98,331	98,185	92,875	92,308
General and administrative expenses	355,813	343,429	344,811	332,967
Net financial income	(20,865)	(8,882)	(22,126)	(10,981)
Impairment loss	1,418	25,457	13,154	5,565
Add: Investment income	873	-	873	-
Operating profit	229,313	302,175	235,501	338,174
Add: Non-operating income	11,226	9,763	5,832	9,758
Less: Non-operating expenses	1,426	3,960	1,304	3,857
(Including: Loss from disposal of non-current assets)	1,184	568	1,184	568
Profit before income tax expenses	239,113	307,978	240,029	344,075
Less: Income tax expenses	(190,428)	-	(190,428)	-
Net profit for the period	429,541	307,978	430,457	344,075
Attributable to:				
Equity shareholders of the Company	429,541	307,978	430,457	344,075
Earnings per share				
Basic and diluted Earnings per share (in Rmb)	0.107	0.077	0.108	0.086
Other comprehensive income for the period	-	-	-	-
Total comprehensive Income for the period	429,541	307,978	430,457	344,075
Attributable to:				
Equity shareholders of the Company	429,541	307,978	430,457	344,075

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

	2010					2009				
	Share capital	Capital reserve	Specific reserve	Retained earnings	Total	Share capital	Capital reserve	Surplus reserve	Retained earnings	Total
As at the beginning of the period	4,000,000	3,107,164	1,456,004	(59,992)	7,047,172	4,000,000	3,107,164	1,456,004	(1,899,776)	6,663,392
Changes in equity for the period										
1. Net profit/(loss) for the period	-	-	-	429,541	429,541	-	-	-	307,978	307,978
2. Transfers within equity										
- Loss covered by surplus reserve	-	-	-	-	-	-	-	(1,456,004)	1,456,004	-
3. Specific reserve appropriation	-	-	324	-	324	-	-	-	-	-
As at the end of the period	4,000,000	3,107,164	-	370,465	7,477,953	4,000,000	3,107,164	-	(135,794)	6,971,370

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

	2010				
	Share capital	Capital reserve	Surplus reserve	Retained earnings	Total
As at the beginning of the period	4,000,000	3,107,164	1,456,004	(59,992)	7,047,172
Changes in equity for the period					
1. Net profit for the period	-	-	-	430,457	430,457
2. Transfers within equity					
- Loss covered by surplus reserve	-	-	-	-	-
3. Specific reserve appropriation	-	-	324	-	324
As at the end of the period	4,000,000	3,107,164	324	370,465	7,477,953

	2009				
	Share capital	Capital reserve	Surplus reserve	Retained earnings	Total
As at the beginning of the period	4,000,000	3,107,164	1,456,004	(1,899,776)	6,663,392
Changes in equity for the period					
1. Net profit for the period	-	-	-	344,075	344,075
2. Transfers within equity					
- Loss covered by surplus reserve	-	-	(1,456,004)	1,456,004	-
3. Specific reserve appropriation	-	-	-	-	-
As at the end of the period	4,000,000	3,107,164	-	(99,697)	7,007,467

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

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

		The Group	
		For the six months ended 30 June	
	Note	2010	2009
		RMB'000	RMB'000
Net profit attributable to equity shareholders of the Company under CAS		429,541	307,978
Adjustments:			
Reversal of amortisation of revaluation surplus of land use rights	*(a)*	2,619	2,619
Effects of the above adjustments on taxation		(655)	(665)
Total		1,964	1,964
Net profit attributable to equity shareholders of the Company under IFRSs		431,505	309,942

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

		The Group	
	Note	As at 30 June 2010	As at 31 December 2009
		RMB'000	RMB'000
Total equity attributable to equity shareholders of the Company under CAS		7,475,275	7,045,410
Adjustments:			
Revaluation surplus of land use rights	*(a)*	(174,622)	(177,241)
Effects of the above adjustments on taxation		43,655	44,310
Total		(130,967)	(132,931)
Total equity attributable to equity shareholders of the Company under IFRSs		7,344,308	6,912,479

Note:

(a) Under CAS, 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 23 August 2010, and mainly reviewed the Semi-annual 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 semi-annual 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
Tom C. Y. Wu
Company Secretary

23 August 2010, Nanjing

As of the date of this announcement, the directors of the Company include 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*