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)

Annual Results 2010

The Board of Directors **("the Board")** and the Supervisory Committee of Sinopec Yizheng Chemical Fibre Company Limited ("**the Company**") and its directors, supervisors and senior management warrant that there are no false representations, misleading statements or material omissions in this announcement and individually and jointly accept full responsibility for the authenticity, accuracy and completeness of the information contained in this announcement.

The content of the annual results for this year is extracted from the Annual Report. In order to understand the detailed content, the investors should read the full text of the Annual Report.

The Board of Sinopec Yizheng Chemical Fibre Company Limited has pleasure in presenting to you the audited annual results of the Company and its subsidiary ("**the Group**") for the year ended 31 December 2010.

1. COMPANY PROFILE

(1). Legal name:	Sinopec Yizheng Chemical Fibre Company Limited 中國石化儀征化纖股份有限公司
Abbreviation:	YCF 儀征化纖
(2). Legal representative:	Mr. Lu Li-yong
(3). Registered and office address:	Yizheng City, Jiangsu Province, China
Postal code:	211900
Telephone:	86-514-83232235
Fax:	86-514-83233880
Internet website:	http://www.ycfc.com
E-mail:	cso@ycfc.com
(4). Secretary to the Board:	Mr. Tom C.Y. Wu
Assistant Secretary to the Board:	Ms. Michelle M. Shi
Address:	The Board Secretary Office Sinopec Yizheng Chemical Fibre Company Limited Yizheng City, Jiangsu Province, China
Telephone:	86-514-83231888
Fax:	86-514-83235880
E-mail:	cso@ycfc.com

(5). Domestic Newspapers to disclose information: China Securities, Shanghai Securities News, Securities Times

Internet website designated by HKSE to disclose information: http://www.hkexnews.hk

Internet website designated by the China Securities Regulatory Commission ("CSRC") to publish the annual report: http://www.sse.com.cn

Place where the annual report available for inspection:
The Board Secretary Office
Sinopec Yizheng Chemical Fibre Company Limited

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

H share	*A share*
- The Stock Exchange of Hong Kong Limited ("**HKSE**")	- Shanghai Stock Exchange ("**SSE**")
- Stock name: Yizheng Chemical Fibre	- Stock name: S Yihua
- Stock code: 1033	- Stock code: 600871

2. SUMMARY OF THE PRINCIPAL INFORMATION AND FINANCIAL INDICATORS OF THE GROUP

(1) Extracted from the financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs")

For the year ended 31 December or as at 31 December

RMB'000

	2010	2009	2008	2007	2006 (as restated)
Turnover	**16,348,366**	13,225,029	15,224,524	17,175,656	17,307,636
Profit / (loss) before taxation	**1,145,582**	387,257	(1,549,301)	11,366	64,333
Income tax expense / (credit)	**(85,644)**	1,310	92,016	(11,890)	23,450
Minority interests	**-**	-	-	944	415
Profit / (loss) attributable to equity shareholders of the Company	**1,231,226**	385,947	(1,641,317)	22,312	40,468
Total assets	**10,402,200**	9,012,882	8,280,424	9,931,984	10,046,111
Total liabilities	**2,258,495**	2,100,403	1,753,892	1,764,135	1,872,907
Total equity attributable to equity shareholders of the Company	**8,143,705**	6,912,479	6,526,532	8,167,849	8,125,552
Minority interests	**-**	-	-	-	47,652
Basic and diluted earnings/ (loss) per share	**RMB0.308**	RMB 0.096	RMB (0.410)	RMB 0.006	RMB 0.010
Net assets per share	**RMB2.036**	RMB 1.728	RMB 1.632	RMB 2.042	RMB 2.031
Ratio of shareholders' equity	**78.29%**	76.70%	78.82%	82.24%	80.88%
Return on net assets	**15.12%**	5.58%	(25.15%)	0.27%	0.50%

(2) Extracted from the financial statements prepared in accordance with the PRC Accounting Standards for Business Enterprises ("ASBE")

2.1 Principal financial data

For the year ended 31 December or as at 31 December

RMB'000

	2010	2009	Increased from 2009(%)	2008
Operating income	**16,348,366**	13,225,029	23.6	15,224,524
Profit/(loss) before income tax	**1,139,588**	382,018	198.3	(1,554,592)
Net profit/(loss) attributable to equity shareholders of the Company	**1,226,542**	382,018	221.1	(1,645,285)
Net profit/(loss) (net of extraordinary gain and loss) attributable to equity shareholders of the Company	**1,218,221**	363,886	234.8	(1,585,466)
Net cash inflow /(outflow) from operating activities	**1,600,805**	1,308,860	22.3	(48,043)
Total assets	**10,531,202**	9,145,813	15.1	8,417,284
Total equity attributable to equity shareholders of the Company	**8,312,337**	7,045,410	18.0	6,663,392

2.2 Principal financial indicators

For the year ended 31 December or as at 31 December

RMB

	2010	2009	Increased from 2009 (%)	2008
Basic earnings / (loss) per share	**0.307**	0.096	221.1	(0.411)
Diluted earnings / (loss) per share	**0.307**	0.096	221.1	(0.411)
Basic earnings / (loss) per share (net of extraordinary gain and loss)	**0.305**	0.091	234.8	(0.396)
Weighted average return on net assets	**15.97%**	5.57%	Increased by 10.40 percentage points	(21.98%)
Weighted average return on net assets (net of extraordinary gain and loss)	**15.86%**	5.31%	Increased by 10.55 percentage points	(21.18%)
Net cash inflow / (outflow) from operating activities per share	**0.400**	0.327	22.3	(0.012)
Net assets per share attributable to equity shareholders of the Company	**2.078**	1.761	18.0	1.666

2.3 Extraordinary gain and loss items and amounts

RMB '000

Disposal of non-current assets	8,620
Government grants recognised in profit or loss during the year	2,462
Employee reduction expenses	(592)
Investments income from purchase and disposal of financial assets	832
Gain on changes in fair value of investments held for trading	310
Other non-operating income and expenses excluding the aforesaid items	(2,554)
Tax effect*	(757)
Total	8,321

*As the subsidiary of the Group, YCFC Jingwei Chemical Fibre Co., Ltd. ("YCFC Jingwei") suffered loss before tax during the year and did not recognise deferred tax assets, therefore the above extraordinary gain and loss items relating to YCFC Jingwei did not result in tax effect.

2.4 Items to which fair value measurement is applied

RMB '000

Items	Balance at the beginning of the current year	Balance at the end of the current year	Changes in the current year	Amount affecting the profit of the current year
Available-for-sale financial assets	700,000	-	(700,000)	873
Investments held for trading	-	699,713	699,713	310
Total	700,000	699,713	(287)	1,183

(3) Differences between the financial statements of the Group prepared in accordance with PRC ASBE and IFRSs

RMB'000

	Net profit attributable to equity shareholders of the Company		Total equity attributable to equity shareholders of the Company	
	2010	2009	**2010**	2009
PRC ASBE	**1,226,542**	382,018	**8,312,337**	7,045,410
IFRSs	**1,231,226**	385,947	**8,143,705**	6,912,479

Please refer to the section 8.4 of the Financial Report in this announcement for explanations for the related differences.

3. INFORMATION ON CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

(1) Changes in the Company's share capital

During the reporting period, there was no change in the total amount of shares and the share structure of the Company. The Company acknowledged that, based on information available to the Company immediately before publishing the 2010 Annual Report, and understood by its Directors as well, the number of its shares held by the public met the requirements in the Rules Governing the Listing of Securities on the HKSE (the "**Listing Rule**")

(2) Information on shareholders

As at 31 December 2010, the shareholdings of the top ten major shareholders and circulating shareholders of the Company are as follows:

Number of shareholders at the end of the year	28,369				
Details of the top ten major shareholders					
Names of shareholders	**Nature of shareholders**	**Number of shares held at the end of the year (shares)**	**Per cent of total share capital (%)**	**Number of non-circulating shares (shares)**	**Number of pledged or frozen shares***
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	1,386,945,005	34.67	Circulating shares	Nil
CITIC Group ("**CITIC**") ***	Domestic legal person shareholder	720,000,000	18.00	720,000,000	Nil
China Construction Bank-CIFM China Advantage Securities Investment Fund	Domestic circulating shares	35,512,600	0.89	Circulating shares	Not applicable
Bank of China-Jiashi Well-chosen Mix-type Securities Investment Fund	Domestic circulating shares	17,545,395	0.44	Circulating shares	Not applicable

Founder Securities Company Limited	Domestic circulating shares	12,779,692	0.32	Circulating shares	Not applicable
China Construction Bank-Fuligoal Tianbo Share-type Securities Investment Fund	Domestic circulating shares	3,078,709	0.08	Circulating shares	Not applicable
Bank of Communications-Tianzhi Core Development Share-type Securities Investment Fund	Domestic circulating shares	2,947,900	0.07	Circulating shares	Not applicable
China Construction Bank-ICBC Credit Suisse Mix-type Securities Investment Fund	Domestic circulating shares	2,754,680	0.07	Circulating shares	Not applicable
Lin You-ming	Domestic circulating shares	1,211,700	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 year (shares)	Classification
HKSCC (Nominees) Limited**	1,386,945,005	"H" shares
China Construction Bank-CIFM China Advantage Securities Investment Fund	35,512,600	Circulating "A" shares
Bank of China-Jiashi Well-chosen Mix-type Securities Investment Fund	17,545,395	Circulating "A" shares
Founder Securities Company Limited	12,779,692	Circulating "A" shares
China Construction Bank-Fuligoal Tianbo Share-type Securities Investment Fund	3,078,709	Circulating "A" shares
Bank of Communications-Tianzhi Core Development Share-type Securities Investment Fund	2,947,900	Circulating "A" shares
China Construction Bank-ICBC Credit Suisse Mix-type Securities Investment Fund	2,754,680	Circulating "A" shares

Lin You-ming	1,211,700	Circulating "A" shares
Allianz Global Investors Luxembourg-RCM China A-shares Fund	1,159,980	Circulating "A" shares
Lu Bao-hong	996,600	Circulating "A" shares
Explanation to 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 hold more than 5 per cent of the Company's shares during the reporting period.*
*** Shares held on behalf of different customers.*
****Shares held on behalf of the State.*

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

As at 31 December 2010, so far as the Directors, Supervisors and Senior Management of the Company are aware of, 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**").

Name of shareholder	**Number of share held** (shares)	**Per cent of shareholding in the Company's total issued share capital** (%)	**Per cent of shareholding in the Company's total issued domestic shares** (%)	**Per cent of shareholding in the Company's total issued H shares** (%)	**Short position**
Sinopec*	1,680,000,000	42.00	64.62	Not applicable	-
CITIC	720,000,000	18.00	27.69	Not applicable	-

** As at 31 December 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 of, as at 31 December 2010, no other person had an 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 of Part XV of the SFO, or was otherwise a substantial shareholder (as such term is defined in the Listing Rules) of the Company.

(4) The holding shareholder

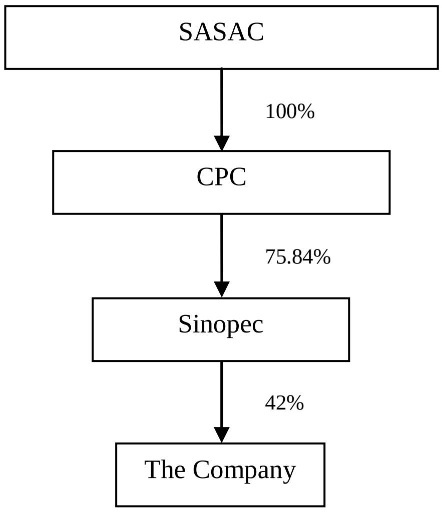
Name of the holding shareholder: Sinopec, holding 42 per cent of the Company's shares
Legal representative: Su Shu-lin
Date of establishment: 25 February 2000
Registered capital: RMB 86,702,527,774
Principal activities: Engaged in exploring for and developing, producing and trading crude oil and natural gas; processing crude, producing petroleum products and trading, transporting, distributing and marketing petroleum products; producing, distributing and trading petrochemical products.

During the reporting period, there has been no change in the holding shareholder of the Company.

(5) Holding company of the holding shareholder
Name of the holding company of the holding shareholder: China Petrochemical Corporation ("**CPC**")*
Legal representative: Su Shu-lin
Date of establishment: 24 July 1998
Registered capital: RMB 182,029,345,000
Principal activities: Through reorganization in 2000, CPC injected its principal petroleum and petrochemical operations into Sinopec, and retained operations in certain smaller scale petrochemical facilities and refineries, provision of well drilling services, oil testing services, in–well operation services, manufacture and maintenance of production equipment, engineering construction, utility services and social services.

During the reporting period, there has been no change in the holding company of the holding shareholder of the Company.

** CPC is a state-authorized investment organization and a state-controlled company, directed by State-owned Assets Supervision and Administration Commission of the State Council ("**SASAC**").*



4. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(1) Information on interests in share and remuneration of directors, supervisors and senior management

Name	Position	Sex	Age	Term of office	Number of "A" shares held for personal interests		Reason for change	Salaries before taxation (RMB ten thousand)	Remuneration and allowance received from the corporate shareholders
					At the beginning of the year	At the end of the year			
Lu Li-yong	Chairman	M	49	Sep.2010 -Dec.2011	-	-	No Change	12.0	No
Sun Zhi-hong	Vice Chairwoman	F	61	Dec.2008 -Dec.2011	-	-	No Change	27.6	Yes
Xiao Wei-zhen	Vice Chairman and General Manager	M	57	Dec.2008 -Dec.2011	-	-	No Change	27.6	No
Long Xing-ping	Director	F	59	Dec.2008 -Dec.2011	-	-	No Change	23.28	Yes
Zhang Hong	Director	M	52	Dec.2008 -Dec.2011	-	-	No Change	23.28	Yes
Guan Diao-sheng	Director	M	48	Dec.2008 -Dec.2011	-	-	No Change	0	Yes
Qin Wei-zhong	Director	M	39	Dec.2008 -Dec.2011	-	-	No Change	0	Yes
Shen Xi-jun	Director, Deputy General Manager	M	50	Dec.2008 -Dec.2011	-	-	No Change	23.28	No
Shi Zhen-hua	Independent Director	M	64	Dec.2008 -Dec.2011	-	-	No Change	5.0	No
Qiao Xu	Independent Director	M	49	Dec.2008 -Dec.2011	-	-	No Change	5.0	No
Yang Xiong-sheng	Independent Director	M	51	Dec.2008 -Dec.2011	-	-	No Change	5.0	No
Chen Fang-zheng	Independent Director	M	64	Dec.2008 -Dec.2011	-	-	No Change	5.0	No
Cao Yong	Chairman of Supervisory Committee	M	52	Dec.2008 -Dec.2011	-	-	No Change	23.28	No
Tao Chun-sheng	Supervisor	M	55	Dec.2008 -Dec.2011	-	-	No Change	15.84	No
Chen Jian	Supervisor	M	48	Dec.2008 -Dec.2011	-	-	No Change	23.28	Yes
Shi Gang	Independent Supervisor	M	50	Dec.2008 -Dec.2011	-	-	No Change	4.0	No
Wang Bing	Independent Supervisor	M	39	Dec.2008 -Dec.2011	-	-	No Change	4.0	No
Li Jian-xin	Deputy General Manager	M	53	From July 2007	-	-	No Change	23.28	No
Zhang Zhong-an	Deputy General Manager	M	50	From July 2004	-	-	No Change	23.28	No
Li Jian-ping	Chief Financial Officer	M	48	From Dec. 2006	-	-	No Change	23.28	No
Tom C.Y. Wu	Secretary to the Board	M	49	From Dec. 2002	-	-	No Change	15.84	No
Qian Heng-ge	Off position	M	60	Dec.2008 -Aug.2010	2000	2000	No Change	25.3	No

Information on share incentive provided to directors, supervisors and senior management during the reporting period
The Company has not implemented any share incentive scheme.

(2) Changes in Directors, Supervisors and Senior Management
Mr. Lu Li-yong was elected as Director of the Company at the first extraordinary general meeting for 2010 held on 28 September 2010, and was elected as Chairman at the fourteenth meeting of the sixth term of the Board held on the same day.

Mr. Qian Heng-ge, a Director of the Company, has resigned from his position as a Director and Chairman as he reached the retirement age, with effect from 6 August 2010.

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

(3) Directors', Supervisors' and Senior Management's rights to acquire shares and debentures and short position
As at 31 December 2010, none of the Directors, Supervisors and 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) which was 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 is taken or deemed to have under such provisions of the SFO) or which was required to be entered in the register kept by the Company pursuant to section 352 of the SFO or which was required to be notified to 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.

5. REPORT OF THE BOARD

Financial figures, except where specifically noted, contained herein have been extracted from the financial statements prepared in accordance with the IFRSs.

A. Business review and prospect

The Group is one of the largest modernized manufacturing bases of chemical fibre and chemical fibre raw materials in the PRC. In terms of polyester capacity in 2010, the Group ranks the sixth largest polyester manufacturer in the world (Source: PCI Magazine 2010).

The Company is principally engaged in the production and sales of polyester chips and polyester fibre, and production of its raw materials purified terephthalic acid ("**PTA**"). Its principal activities include production and distribution of chemical fibre and petrochemical products, production of ancillary raw materials and textile machinery, research and development ("**R&D**") in textile technology, transportation and technological support for products manufactured by the Company.

1. Market review

In 2010, the prices of domestic polyester industry chain concussively increased as a whole, profit margin of polyester products was significantly expanded compared with the last year, and the operational environment for polyester industry improved noticeably. Affected by the international crude oil price, prices of domestic polyester raw materials demonstrated the rising momentum on the whole. Under the drive of the policy to boost domestic demand and with the gradual recovery of the global economy, domestic demand for textile increased swiftly and China's exports of textiles and garments improved markedly. Owing to comprehensive influences of steadily growing domestic demands and continuously recovering overseas demands in terms of downstream textile industry, and especially the sharp increase of the cotton prices after the end of September, domestic polyester products prices boosted significantly, and correspondingly its profit margin was widely expanded compared with the last year.

In 2010, the newly-added polyester production capacity was almost 2.13 million tonnes and the total polyester production capacity amounted to 29.07 million tonnes at the end of 2010. As a result, the oversupply condition of domestic polyester capacity was not changed and the competition situation for polyester industry was still severe. The volume of the total domestic supply of polyester fibre amounted to 26,226,100 tonnes, an increase of 12.0 per cent over that of 2009, of the total volume, the domestic production volume increased by 14.9 per cent as compared with its amounts in 2009. Meanwhile, driven by the PRC's policies of expanding domestic demand, total domestic consumption volume of polyester fibre amounted to 24,367,600 tonnes, an increase of 12.8 per cent over the 2009 amount. The domestic demand for polyester fibre noticeably increased as compared with that of 2009.

2. Production Operational Review

In 2010, the operational environment for the domestic polyester industry improved remarkably, and the Group seized this favorable opportunity to fully develop the market, optimize the product mix, strictly implement refined management and strive to lower the costs and expenses. As a result, the Group's operational results throughout the year increased significantly.

(1) Production and Marketing

In 2010, the Group's production facilities maintained safe and stable operations, and main economic and technical indicators steadily increased. The total production volume of polyester products amounted to 2,137,961 tonnes, a decrease of 4.6 per cent compared with the 2,240,467 tonnes produced in 2009. The polyester capacity utilisation rate reached 96.7 per cent. The total production volume of PTA amounted to 1,041,233 tonnes, an increase of 1.7 per cent compared with the 1,023,347 tonnes produced in 2009. In 2010, the Group continued to strengthen the linkage between production and sales, extensively expand market share and improve customer service. The Group's total sales volume of polyester products amounted to 1,728,849 tonnes in 2010, an increase of 0.2 per cent compared with the 1,724,861 tonnes sold in 2009. Excluding self-consumption volume and other factors, the ratio of sales to production reached 99.7 per cent. In 2010, the Group's export volume of polyester products fell to 111,001 tonnes, an increase of 2.5 per cent over the 108,296 tonnes for 2009.

(2) Cost control
In 2010, the weighted average price of the Group's polyester products (excluding VAT) increased by 23.7 per cent compared with last year, while the weighted average purchase prices of the Group's principal purchased raw materials, such as PTA, mono-ethylene glycol ("MEG") and parxylene ("PX"), increased by 20.7 per cent. The Group tried to decrease the consumption of raw materials and energy by strengthening fine management and implementing technical reform, resulting in the comprehensive energy consumption for main products decreasing by 2.0 per cent compared with 2009. Measures for reducing cost and increasing efficiency were implemented together by strictly implementing overall budget management. Due to increase in sales service fee and insurance premium, the Group's selling expenses were 16.2 per cent higher than in 2009. Due to increase in unpaid bonuses and social insurance, the Group's administrative expenses increased by 11.8 per cent compared with 2009. Due to the increase in interest income from deposits, net finance income increased by 116.1 per cent compared with 2009. The total increase in selling expenses, administrative expenses and net finance income was 10.2 per cent from that of 2009.

(3) R&D
In 2010, the Group further improved the combination of production, sales and research, optimised its products structure by market demand and tried to increase the profit contributions from differential and specialized products. 35 new polyester products were successfully developed and twelve patent rights were obtained. The quality of upgraded bright sewing thread FR211 was steadily increased, and successfully substituted the imported products of the same kind. Specialised staple fibre for knitting end use was successfully developed and was produced and sold in a large scale. In 2010, the Company's total production volume of specialised polyester chips amounted to 895,874 tonnes; the specialised rate was 85.6 per cent, 0.3 percentage points lower than that of last year. The total production volume of differential polyester fibre amounted to 567,157 tonnes and the differential rate of polyester fibre was 82.1 per cent, 1.9 percentage points higher than that of last year.

(4) Internal reform and management
In 2010, the Group further strengthened management and its management capacity was further enhanced. The Group continued to deepen comprehensive budget management and strengthen expense control, resulting in implementing together measures for reducing cost and increasing efficiency. The Group continued to strengthen quality management to attain a comprehensive premium grade percentage of 99.0 for main products. Meanwhile, the Group strictly implemented its internal control system to standardise internal management, and further strengthened performance management and further improved performance evaluation so as to effectively raise employee morale.

B. Result of Operation and Financial Position
1. Production volume

	For the year ended 31 December			
	2010		2009	
	Production volume (tonnes)	**Per cent of total production volume (%)**	Production volume (tonnes)	Per cent of total production volume (%)
Polyester products				
Polyester Chips	**1,046,433**	**48.9**	1,086,910	48.5
Bottle-grade polyester chips	**318,579**	**14.9**	411,681	18.4
Staple fibre	**498,362**	**23.3**	458,884	20.5
Hollow fibre	**55,544**	**2.6**	52,706	2.3
Filament	**219,043**	**10.3**	230,286	10.3
Total	**2,137,961**	**100.0**	2,240,467	100.0

2. Sales volume

	For the year ended 31 December			
	2010		2009	
	Sales volume (tonnes)	**Per cent of total sales volume (%)**	Sales volume (tonnes)	Per cent of total sales volume (%)
Polyester products				
Polyester chips	**708,186**	**41.0**	634,749	36.8
Bottle-grade polyester chips	**317,207**	**18.3**	410,705	23.8
Staple fibre	**493,487**	**28.5**	457,895	26.5
Hollow fibre	**54,750**	**3.2**	52,709	3.1
Filament	**155,219**	**9.0**	168,803	9.8
Total	**1,728,849**	**100.0**	1,724,861	100.0

3. Average Prices for products (excluding VAT) (RMB/tonnes)

	For the year ended 31 December		
	2010	2009	Change (%)
Polyester products			
Polyester chips	**8,652**	7,074	22.3
Bottle-grade polyester chips	**8,589**	7,061	21.6
Staple fibre	**9,807**	7,819	25.4
Hollow fibre	**10,652**	9,060	17.6
Filament	**11,472**	8,886	29.1
Weighted average price	**9,287**	7,507	23.7

4. Turnover

	For the year ended 31 December			
	2010		2009	
	Turnover ***RMB'000***	**Per cent of turnover (%)**	Turnover *RMB'000*	Per cent of turnover (%)
Polyester products				
Polyester chips	**6,127,035**	**37.4**	4,490,477	34.0
Bottle-grade polyester chips	**2,724,476**	**16.7**	2,900,094	21.9
Staple fibre	**4,839,829**	**29.6**	3,580,409	27.1
Hollow fibre	**583,208**	**3.6**	477,544	3.6
Filament	**1,780,642**	**10.9**	1,499,963	11.3
Others	**293,176**	**1.8**	276,542	2.1
Total	**16,348,366**	**100.0**	13,225,029	100.0

In 2010, by chasing the favor opportunity of improved operational environment for domestic polyester industry, 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 amounted to RMB 1,145,582,000 and RMB 1,231,226,000 respectively, increased by 195.8 per cent and 219.0 per cent respectively as compared with RMB 387,257,000 and RMB 385,947,000 in 2009.

5. Financial analysis
The Group's primary sources of funds come from operating activities and the funds are primarily used for operating expenditures and capital expenditures.

(1) Assets, liabilities and shareholders' equity analysis

As at 31 December 2010, the Group's total assets were RMB 10,402,200,000, total liabilities were RMB 2,258,495,000, and total equity attributable to equity shareholders of the Company was RMB 8,143,705,000. Compared with the assets and liabilities as at 31 December 2009 (hereinafter referred to as "**as compared with the end of last year**"), the variations and main causes of such changes are described as follows:

Total assets were RMB 10,402,200,000, an increase of RMB 1,389,318,000 as compared with the end of last year. Current assets were RMB 6,076,397,000, an increase of RMB 1,328,492,000 as compared with the end of last year. The increase was mainly due to the increase in cash and cash equivalents by RMB 1,251,165,000 owing to the rise in net cash inflow from operating activities in 2010. Non-current assets were RMB 4,325,803,000, an increase of RMB 60,826,000 as compared with the end of last year, which was mainly due to the increase in deferred tax assets by RMB 195,581,000 in 2010.

Total liabilities were RMB 2,258,495,000, an increase of RMB 158,092,000 as compared with the end of last year. Current liabilities were RMB 2,198,621,000, an increase of RMB 119,474,000 as compared with the end of last year, which was mainly due to the increase of RMB 109,937,000 in current taxation in 2010. Non-current liabilities were RMB 59,874,000, an increase of RMB 38,618,000 compared with the end of last year, which was mainly due to the increase of RMB 39,630,000 in receipts of contribution from government in 2010.

Total equity attributable to equity shareholders of the Company was RMB 8,143,705,000, an increase of RMB 1,231,226,000 as compared with the end of last year, mainly due to RMB 1,231,226,000 for profit attributable to equity shareholders of the Group in 2010.

As at 31 December 2010, the ratio of total liabilities to total assets was 21.7 per cent, and 23.3 per cent as at 31 December 2009.

(2) Cash flow analysis
At the end of 2010, cash and cash equivalents increased by RMB 1,549,035,000, representing an increase from RMB 774,767,000 as at 31 December 2009 to RMB 2,323,802,000 as at 31 December 2010 (including investment held for trading with an initial term less than three months amount to RMB 297,870,000, and cash and cash equivalents amount to 2,025,932,000 listed in consolidated statement of financial position).

In 2010, the Group's net cash inflow from operating activities was RMB 1,600,805,000, representing an increase of RMB 300,601,000 as compared with last year, which was mainly due to the increase of RMB 911,067,000 in gross profit in 2010.

In 2010, the Group's net cash outflow from investing activities was RMB 51,770,000, a decrease of cash outflow by RMB 1,314,627,000 as compared with last year. This was mainly due to the following:

(1) Deposits with banks and other financial institutions decreased by RMB 116,144,000 in 2010, while there had been an increase of RMB 494,600,000 in 2009. As a result, the net cash outflow from investing activities increased by RMB 610,744,000.

(2) Financial assets available for sale purchased at the end of last year was redeemed in 2010, resulting in a decrease of the net cash outflow from investing activities by RMB 700,873,000.

In 2010, the Group's net cash outflow from financing activities was zero, a decrease of cash outflow by RMB 334,000 compared with 2009. It was mainly due to RMB 334,000 of cash repayments of borrowings in 2009.

(3) Bank borrowings
As at 31 December 2010, the Group's bank borrowings were nil (as at 31 December 2009: nil).

(4) Assets pledge
For the year ended 31 December 2010, there was no ledge on the Group's assets.

(5) Management of foreign exchange risk
The Group's operations are mainly dominated in Renminbi and foreign currency needed was mainly dominated in US dollars. Receivable and payable items of the Group are settled immediately under trade accounts. Therefore, fluctuations in foreign exchange rates have no material adverse effect on the Group.

(6) Debt-long-term capital ratio
The debt-long-term capital ratio of the Group was nil for 2010 (2009: nil). The ratio is computed as long-term borrowings divided by the sum of long-term borrowings and shareholders' equity.

6. Statement of the operations by products (prepared in accordance with PRC ASBE)

Products	**Operating income RMB'000**	**Cost of sales RMB'000**	**Gross profit margin (%)**	**Increase/(decrease) in operating income as compared with last year (%)**	**Increase/(decrease) in cost of sales as compared with last year (%)**	**Compared with last year**
Polyester products	16,055,190	13,674,837	14.8	24.0	18.5	Increased by 4.0 percentage points
Including:						
Polyester Chips	6,127,035	5,158,980	15.8	36.4	31.6	Increased by 3.1 percentage points
Bottle-grade polyester chips	2,724,476	2,406,994	11.7	(6.1)	(10.3)	Increased by 4.2 percentage points
Staple and hollow fibre	5,423,037	4,521,089	16.6	33.6	29.4	Increased by 2.7 percentage points
Filament	1,780,642	1,587,774	10.8	18.7	9.9	Increased by 7.1 percentage points

7. Operating income by regions
The following is the statement of operations by products for the year ended 31 December 2010 in accordance with PRC ASBE .

Region	Operating income Rmb'000	Increased from last year (%)
Mainland	15,428,732	23.6
Hong Kong, Macau, Taiwan, and overseas	919,634	23.4

8. Major suppliers and customers

Aggregate purchase amounts from the top five largest suppliers	RMB 7,355,757,000	Per cent of total purchases	63.6%
Aggregate sales amounts to the top five largest customers	RMB 1,536,032,000	Per cent of total sales	9.4%

9. Acquisition, divestment and investment

The Group did not make any material acquisition, divestment and investment in relation to any of its subsidiaries or associates in 2010.

10. Capital expenditure

In 2010, the Group's total capital expenditure amounted to RMB 586,101,000. With a clearer outlook on sustainable development, the Group's new projects were implemented smoothly. The Group has already commenced the construction of 1, 4-Butanediol project with an annual capacity of 100,000 tonnes in May, in which land levelling, basic design formulation and long-periodic facility ordering were fulfilled. The first phase of high performance polyethylene fiber project with an annual capacity of 3,000 tonnes was entering the equipment installation stage. The aramid fiber project with an annual capacity of 100 tonnes basically realized the stable production and operation after the technological upgrade.

C. Prospects

1. Market Analysis

According to the 2011 market analysis, the Group considers: firstly, the global economy will continue to recover, and China's economy will still maintain the good momentum of steady and rapid growth. Secondly, China's exports of textiles and garments will be expected to increase moderately. At the same time, driven by the policy of boosting domestic demand, Chinese dwellers' consumption will further expand, which will also motivate the stable increase of domestic polyester product requirements. Thirdly, petrochemical industry has still been in the ascending period and cotton prices in China will maintain at a high level, which will significantly facilitate the business environment for domestic polyester industry. Meanwhile, attentions should also be paid to difficulties and risks we are going to encounter: Firstly, many uncertainties have dwelled in the global economic growth, and the appreciation pressure on the Renminbi has been intensifying, which will bring about disadvantageous impacts on the downstream textile export. Secondly, new-added domestic polyester production capacity will be obviously increased, so the problem of polyester overcapacity has been turning more and more sharply, which means the market competition will intensify fiercely.

2. Business strategy

In 2011, with the target to set up an enterprise of "leading in China, first-rate in the world", the Group will put emphases on accelerating its development to spare no efforts in exploiting the market, strengthen the refined management, explore the potential to improve efficiency and propel the product optimization, in order to further enhance its competitiveness and sustainable profitability. To achieve these targets, the Group will focus on the following priorities in 2011:

I. Make great efforts to exploit the market, optimize raw materials purchase to expand its profit margin

The Group will (1) adhere to the market-oriented principle, strengthen the integral coordination between the production and the marketing, extensively expand market share and try to increase revenue and efficiency; (2) further enhance customer service and improve customer satisfaction to realize win-win between customers and the Group; (3) optimize the logistics pattern, pursue standardized services and endeavor to lower the logistic costs; (4) deepen the follow-up study and analysis of both domestic and overseas raw materials market and analyze the market fluctuation and the raw material inventory structure in a dynamic way, to ensure the supply while reducing purchase costs. To meet the target ratio of 100 per cent sales-to-production, the planned sales volume of polyester products is 1,712,000 tonnes.

II. Concentrate on deploying safety and environmental protection to maintain safe and stable operation of facilities

The Group will comprehensively carry out safety and environmental protection responsibility system, continue to strengthen spot management and supervision of key facilities and equipments, implement controls over key facilities so as to reduce unexpected production interruptions and maintain safe and stable operations. Meanwhile, the Group will continue to enhance fine management and improve product quality. In 2011, the planned volume of polyester product production is 2,091,000 tonnes, of which self-consumption volume is 379,000 tonnes. The planned production volume of PTA is 1,017,000 tonnes.

III. Deepen scientific and technological innovation system, boost product-upgrading and industry-upgrading

The Group will (1) improve the scientific and technical innovation system and optimize the allocation of resources to stimulate innovative vigor of scientific and technical personnel and the conversion of their achievements to the greatest extent; (2) deepen the coordination mechanism among production, sales and research, accelerate the product upgrading, constantly optimize the product structure and raise product added values; (3) push forward technological development and modification to enhance technical levels of facilities. Meanwhile, technological reserve and prospective studies will be exerted for the sustainable development of the Group. In 2011, there are 34 product items planned for new development. The Company's projected production volume of differentiated fibre and specialised polyester chips products for 2011 will be 616,000 tonnes and 910,000 tonnes, respectively, while the differential rates for differentiated and specialised products are expected to be 82.3 per cent and 88.1 per cent.

IV. Strict fine management, explore potential to improve efficiency, promote energy conservation and emission reduction

The Group will (1) further amend and improve the management system, perfect the unified standardization and information system while at the same time focusing on the implementation of these systems and enhancing the executive force; (2) comprehensively strengthen the product quality improvement and raise product quality stability, continuously meeting the market demands; (3) deepen the combination between cost management and comprehensive budget management, improve the cost management evaluation mechanism and incentive mechanism, in order to achieve its expense control targets; (4) actively advance energy saving and emission reduction and enhance the stable operation of environmental protection projects or treatment facilities, such as flue gas desulfurization facilities, air separation plants. Compared with 2010, the comprehensive energy consumption for main products decreased by 2.3 per cent. Total industrial water consumption will be less than 25 million tonnes and total COD emission will also be less than 580 tonnes.

V. Accelerate efficient development, cultivate new economic growth points

The Group will accelerate projects under construction, in order to put them into operation early and thus make profits in advance. The construction of 1, 4-Butanediol project with an annual capacity of 100,000 tonnes will progress continually, which is expected to be completed and put into production before the end of 2012. Besides the preliminary work of the second phase, the Group will make sure the first phase construction of high performance polyethylene fiber project with an annual capacity of 3,000 tonnes is about to be completed and enter into commissioning in August of 2011. And the Group will lose no time in improving the aramid fiber project with an annual capacity of 100 tonnes, striving to realize its long-term stable production and operation, upgrading the product quality as well as initiating the construction of 1,000 tonnes-grade aramid fibre project as soon as possible; Futhermore, the Group will actively promote joint venture negotiations on PTA project so as to start the construction as soon as possible.

The Company's capital expenditure for 2011 is expected to be approximately RMB 1,653,000,000. It will mainly invest in projects such as the 1,4-butanediol project with an annual capacity of 100,000 tonnes, the first phase of high performance polyethylene fiber project with an annual capacity of 3,000 tonnes, reducing energy consumption, safety and environmental protection, and reducing costs and expenses. To maximise its return on investment, the Group will strengthen its investment management in accordance with the prudence principle. The planned capital expenditures will be funded from cash generated from operations and bank credit facilities.

D. Proposed scheme of profit distribution

In accordance with the PRC Accounting Standards for Business Enterprises, the net profit of the Company for 2010 was RMB 1,228,423,000 (the profit attributable to equity shareholders of the Company for 2010 was RMB 1,233,107,000 under IFRSs). The total distributable profit, including the accumulated losses of RMB 59,992,000 brought forward from the previous year, were RMB 1,168,431,000 at the end of 2010.

According to the relevant regulations of the PRC and the Articles of Association of the Company, the Company proposed that RMB 116,843,000 was transferred to the statutory surplus reserve.

It is proposed that a final cash dividend of RMB 0.03 per share for 2010 would be paid, totaling RMB 120,000,000.

The above proposed profit distribution scheme shall be submitted for approval at the 2010 AGM.

No interim or final dividends were paid for 2007, 2008 and 2009.

6. REPORT OF THE SUPERVISORY COMMITTEE

The Supervisory Committee believes that during the reporting period the Board operated in strict compliance with laws and related regulations. There was no unusual situation in connection with the Company's financial affairs and connected transactions.

7. SIGNIFICANT EVENTS

(1) During the reporting period, the Group did not have any material litigation or arbitration.

(2) In accordance with the relevant laws and 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 any new proposals of share reform.

(3) During the reporting period, the Group had no acquire or disposals of assets, nor any merger and acquisitions activities.

(4) Information on connected transactions

The Group's material connected transactions entered into during the year ended 31 December 2010 are 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	7,085,054	61.3

The Group is of the opinion that the above-mentioned connected transactions and related connected parties were necessary and continuous, and that the agreements governing these transactions met the requirements of business operation and the market situation. Meanwhile, the Group is of the opinion that purchasing of goods from the above related parties ensures a steady and secured supply of raw materials. Therefore, these connected transactions are beneficial to the Group. These transactions were negotiated at market prices and had no adverse effect on the Group's profit or independence.

(b) During the reporting period, the Group did not have any significant connected transactions related to the transfer of the asset or equity.

(c) During the reporting period, the Group did not supply any non-operating funds to the holding shareholder or its subsidiaries.

The Board believes 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. For details of connected transactions entered into by the Group during the reporting period, please refer to note 6 of the financial statements prepared in accordance with the PRC ASBE. Independent directors have reviewed the above-mentioned connected transactions according to the regulations as stipulated in the Listing Rules, and made necessary confirmation in a letter submitted to the Board on 28 March 2011. Auditors have reviewed the above-mentioned connected transactions and provided a letter to the Board on 28 March 2011.

(5) The Group did not lease, contract out or hold in trust any assets for other companies. Furthermore, the Group did not rent or contract any assets from other companies and did not have assets held by other companies.

(6) During the reporting period, the Group did not make any guarantee or did not have any secured assets.

(7) As at 31 December 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.

(8) During the reporting period, the Group 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.

(9) The ninth meeting of the sixth term Board of Directors of the Company held on 31 December 2009 reviewed and passed the resolution regarding that the Company carries out the fund operation within RMB 700 million. As at 31 December 2010, the Company's investments held for trading were RMB 699,713,000.

(10) During the reporting period, neither the sixth term of the Board of the Company nor its Directors thereof were subject to any investigation by the CSRC, administrative penalty or circular of criticism released by the CSRC and the Securities and Futures Commission of Hong Kong, and reprimand published by SSE and HKSE.

8. FINANCIAL REPORT

8.1 Audit Opinion

The financial statements of Sinopec Yizheng Chemical Fibre Company Limited ("the **Company**") and its subsidiary ("the **Group**") prepared under the PRC ASBE have been audited by Gong Wei-li and Chen Jie of KPMG Huazhen and an audit report with an unqualified audit opinion was issued on 28 March 2011. Also, the consolidated financial statements of the Group prepared under IFRSs have been audited by KPMG and an audit report with an unqualified audit opinion was issued on 28 March 2011.

8.2 Financial statements prepared in accordance with IFRSs

The following financial information has been extracted from the Group's audited financial statements, prepared in accordance with IFRSs, for the year ended 31 December 2010.

Consolidated statement of comprehensive income for the year ended 31 December 2010

	Note	**2010** *RMB'000*	**2009** *RMB'000*
Turnover	*4*	16,348,366	13,225,029
Cost of sales		(14,353,315)	(12,141,045)
Gross profit		1,995,051	1,083,984
Other income		4,222	14,541
Distribution costs		(212,868)	(183,227)
Administrative expenses		(457,861)	(409,442)
Other expenses	*5*	(219,390)	(135,453)
Profit from operations		1,109,154	370,403
Finance income		38,719	27,772
Finance expenses		(2,291)	(10,918)
Net finance income		36,428	16,854
Profit before taxation	*6*	1,145,582	387,257
Income tax	*7*	85,644	(1,310)
Profit and total comprehensive income attributable to equity shareholders of the Company for the year		1,231,226	385,947
Basic and diluted earnings per share (in RMB)	*9*	0.308	0.096

Consolidated statement of financial position
as at 31 December 2010

	Note	2010 *RMB'000*	2009 *RMB'000*
Non-current assets			
Property, plant and equipment		3,471,168	3,774,911
Construction in progress		498,043	325,812
Lease prepayments		116,701	119,944
Deferred tax assets		239,891	44,310
		4,325,803	4,264,977
Current assets			
Available-for-sale financial assets		-	700,000
Investments held for trading	*10*	699,713	-
Inventories		1,318,769	1,308,019
Trade and other receivables	*11*	1,588,527	1,405,519
Deposits with banks and other financial institutions		443,456	559,600
Cash and cash equivalents		2,025,932	774,767
		6,076,397	4,747,905
Current liabilities			
Trade and other payables	*12*	2,088,684	2,073,949
Current taxation		109,937	-
Provisions		-	5,198
		2,198,621	2,079,147
Net current assets		3,877,776	2,668,758
Total assets less current liabilities		8,203,579	6,933,735
Non-current liabilities			
Deferred income		59,874	21,256
Net assets		8,143,705	6,912,479
Equity			
Share capital		4,000,000	4,000,000
Share premium		2,518,833	2,518,833
Reserves	*13*	(59,233)	(176,076)
Retained profits		1,684,105	569,722
Total equity attributable to equity shareholders of the Company		8,143,705	6,912,479

Consolidated statement of changes in equity for the year ended 31 December 2010

	Share capital *RMB'000*	Share premium *RMB'000*	Reserves *RMB'000*	(Accumulated losses)/ retained profits *RMB'000*	Total equity attributable to equity shareholders of the Company *RMB'000*
Balance at 1 January 2009	4,000,000	2,518,833	1,279,928	(1,272,229)	6,526,532
Changes in equity for 2009:					
Make good of losses by surplus reserve	-	-	(1,456,004)	1,456,004	-
Total comprehensive income for the year	-	-	-	385,947	385,947
Balance at 31 December 2009	4,000,000	2,518,833	(176,076)	569,722	6,912,479
Changes in equity for 2010:					
Appropriation of statutory surplus reserve	-	-	116,843	(116,843)	-
Total comprehensive income for the year	-	-	-	1,231,226	1,231,226
Balance at 31 December 2010	4,000,000	2,518,833	(59,233)	1,684,105	8,143,705

Notes:

1 Principal activities and basis of preparation

The Group is principally engaged in the production and sale of chemical fibre and chemical fibre raw materials in the People's Republic of China **("the PRC")**. China Petroleum & Chemical Corporation is the Company's immediate parent company and China Petrochemical Corporation is the Company's ultimate holding company.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and interpretations issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Group also prepares a set of financial statements which complies with the PRC ASBE. Significant differences between the financial statements prepared in accordance with IFRSs and the PRC ASBE are summarised in section 8.4.

2 Changes in accounting policies

The IASB has issued two revised IFRSs, a number of amendments to IFRSs and two 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 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. Subsequent changes in the measurement of that contingent consideration unrelated to facts and circumstances that existed at the acquisition date will be recognized in profit or loss, whereas previously these changes were 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.

  - 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.

- As a result of the adoption of IAS 27 (amended 2008), the following changes in policies are applied as from 1 January 2010:

  - If the Group acquires an additional interest in a non-wholly owned subsidiary, the transaction will be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no goodwill will be recognised as a result of such transactions. Similarly, if the Group disposes of part of its interest in a subsidiary but still retains control, this transaction will also be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no profit or loss will be recognised as a result of such transactions. Previously the Group treated such transactions as step-up transactions and partial disposals, respectively.

  - If the Group loses control of a subsidiary, the transaction will be accounted for as a disposal of the entire interest in that subsidiary, with any remaining interest retained by the Group being recognised at fair value as if reacquired. In addition, as a result of the adoption of the amendment to IFRS 5, if at the end of reporting period the Group has the intention to dispose of a controlling interest in a subsidiary, the entire interest in that subsidiary will be classified as held for sale (assuming that the held for sale criteria in IFRS 5 are met) irrespective of the extent to which the Group will retain an interest. Previously such transactions were treated as partial disposals.

  In accordance with the transitional provisions in IAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

- In order to be consistent with the above amendments to IFRS 3 and IAS 27, and as a result of amendments to IAS 28, Investments in associates, the following policies are applied as from 1 January 2010:

  - If the Group holds interests in the acquiree immediately prior to obtaining significant influence, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining significant influence. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

  - If the Group loses significant influence, the transaction will be accounted for as a disposal of the entire interest in that investee, with any remaining interest being recognised at fair value as if reacquired. Previously such transactions were treated as partial disposals.

  Consistent with the transitional provisions in IFRS 3 and IAS 27, these new accounting policies are applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

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 bases:

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 revenue, 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 revenue), depreciation, amortisation and impairment losses. Inter-segment revenue are priced with reference to market price.

The Group changed the basis of inter-segment measures for internal reporting purpose from 1 January 2010. Before 1 January 2010, revenue and gross profit or loss from external customers only were measured and reviewed by the Group's senior executive management. From 1 January 2010, in addition to revenue and gross profit or loss from external customers, inter-segment revenue priced with reference to market price and inter-segment gross profit or loss were also measured and reviewed by the Group's senior executive management. The Group has restated the comparative amounts on a basis consistent with the revised segment measures.

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 year is set out below:

	Polyester chips		Bottle-grade polyester chips		Staple fibre and hollow fibre		Filament		PTA		All others #		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	RMB’000	*RMB’000*	*RMB’000*	*RMB’000*	*RMB’000*	*RMB’000*	*RMB’000*	*RMB’000*	*RMB’000*	*RMB’000*	*RMB’000*	*RMB’000*	*RMB’000*	*RMB’000*
For the year ended 31 December														
Revenue from external customers	6,127,035	4,490,477	2,724,476	2,900,094	5,423,037	4,057,953	1,780,642	1,499,963	-	-	293,176	276,542	16,348,366	13,225,029
Inter-segment revenue	87,491	124,620	-	-	-	-	-	-	6,925,492	5,901,463	-	-	7,012,983	6,026,083
Reportable segment revenue	**6,214,526**	**4,615,097**	**2,724,476**	**2,900,094**	**5,423,037**	**4,057,953**	**1,780,642**	**1,499,963**	**6,925,492**	**5,901,463**	**293,176**	**276,542**	**23,361,349**	**19,251,112**
Gross profit/(loss) from external customers	253,605	46,245	20,336	(97,654)	379,439	97,321	15,835	(125,281)	-	-	3,206	15,972	672,241	(63,397)
Inter-segment profit	3,621	1,283	-	-	-	-	-	-	1,364,056	1,160,253	-	-	1,367,677	1,161,536
Reportable segment profit/(loss)	**257,226**	**47,528**	**20,336**	**(97,654)**	**379,439**	**97,321**	**15,835**	**(125,281)**	**1,364,056**	**1,160,253**	**3,206**	**15,972**	**2,040,098**	**1,098,139**
Depreciation and amortisation	62,395	65,017	39,454	44,054	38,053	40,161	14,765	40,393	209,223	229,049	94,190	90,395	458,080	509,069
Impairment of property, plant and equipment (“PP&E”)	196	367	203,506	230	588	189	-	130,164	11,788	7,224	637	1,917	216,715	140,091
Write-down of inventories	-	-	-	-	-	-	-	19,892	-	-	12,401	-	12,401	19,892
As at 31 December														
Reportable segment assets	**604,359**	**647,577**	**197,206**	**403,198**	**496,965**	**401,468**	**199,942**	**231,800**	**1,153,730**	**1,246,283**	**1,029,268**	**931,449**	**3,681,470**	**3,861,775**

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

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

	2010 *RMB'000*	2009 *RMB'000*
Revenue		
Revenue for reportable segments excluding other revenue	23,068,173	18,974,570
Other revenue	293,176	276,542
Elimination of inter-segment revenue	(7,012,983)	(6,026,083)
Consolidated turnover	16,348,366	13,225,029

	2010 *RMB'000*	2009 *RMB'000*
Profit		
Profit for reportable segments excluding other profit	2,036,892	1,082,167
Other profit	3,206	15,972
Unallocated losses	(41,426)	(12,872)
Elimination of inter-segment profit	(3,621)	(1,283)
Consolidated gross profit	1,995,051	1,083,984
Other income	4,222	14,541
Distribution costs	(212,868)	(183,227)
Administrative expenses	(457,861)	(409,442)
Other expenses	(219,390)	(135,453)
Net finance income	36,428	16,854
Consolidated profit before taxation	1,145,582	387,257

	2010 *RMB'000*	2009 *RMB'000*
Assets		
Assets for reportable segments excluding other assets	2,652,202	2,930,326
Other assets	1,029,268	931,449
Unallocated assets	1,112,111	1,222,917
Elimination of inter-segment balances	(3,644)	(1,762)
	4,789,937	5,082,930
Other non-current assets	854,635	490,066
Available-for-sale financial assets	-	700,000
Investments held for trading	699,713	-
Trade and other receivables	1,588,527	1,405,519
Deposits with banks and other financial institutions	443,456	559,600
Cash and cash equivalents	2,025,932	774,767
Consolidated total assets	10,402,200	9,012,882

	2010	2009
	RMB'000	*RMB'000*
Depreciation and amortisation		
Depreciation and amortisation for reportable segments excluding other depreciation and amortisation	363,890	418,674
Other depreciation and amortisation	94,190	90,395
Unallocated depreciation and amortisation	30,217	29,411
Consolidated total depreciation and amortisation	488,297	538,480

	2010	2009
	RMB'000	*RMB'000*
Impairment of PP&E		
Impairment of PP&E for reportable segments excluding other impairment of PP&E	216,078	138,174
Other impairment of PP&E	637	1,917
Unallocated impairment of PP&E	6,981	862
Consolidated total impairment of PP&E	223,696	140,953

	2010	2009
	RMB'000	*RMB'000*
Write-down of inventories		
Write-down of inventories for reportable segments excluding other write-down of inventories	-	19,892
Other write-down of inventories	12,401	-
Unallocated write-down of inventories	33,230	-
Consolidated total write-down of inventories	45,631	19,892

4 Turnover

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

5 Other expenses

	2010 *RMB'000*	2009 *RMB'000*
Net gain on sale of property, plant and equipment	(8,620)	(5,984)
Impairment losses of property, plant and equipment	223,696	140,953
Others	4,314	484
	219,390	135,453

In response to the current market environment of bottle-grade polyester chip products, the Group assessed the recoverable amount of its property, plant and equipment in relation to bottle-grade polyester production facilities as at 31 December 2010 and as a result the carrying amount of the production facilities was written down by RMB 201,650,000. The estimate of recoverable amount was based on the value in use of these facilities. In assessing value in use, the pre-tax discount rate used to calculate the present value of estimated future cash flows is 14%.

The Group assessed the recoverable amount of certain idle property, plant and equipment as at 31 December 2010 and as a result, the carrying amount of these assets was written down by RMB 22,046,000. The estimate of recoverable amounts was based on the fair values less costs to sell of these assets, determined by reference to the information about the sales of similar assets within the same industry.

6 Profit before taxation

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

	2010 *RMB'000*	2009 *RMB'000*
Finance income	(38,719)	(27,772)
Finance expenses	2,291	10,918
Cost of inventories	14,353,315	12,141,045
Total staff costs	813,944	730,371
Depreciation	485,054	535,237
Repairs and maintenance expenses	316,931	288,212
Research and development expenses	54,008	31,291
Auditors' remuneration - audit services	4,900	4,900
Recognition/(reversal) of impairment losses of trade and other receivables	4,488	(2,149)
Amortisation of lease prepayments	3,243	3,243

7 Income tax

	2010	**2009**
	RMB'000	*RMB'000*
Current tax		
Provision for the year	109,937	-
Deferred tax		
Recognition of deferred tax assets	(196,891)	-
Reversal of deferred tax assets	1,310	1,310
	(85,644)	1,310

(a) The charge for PRC income tax is calculated at the rate of 25% (2009: 25%) on the estimated assessable income of the year determined in accordance with relevant income tax rules and regulations. The Group did not carry out business in Hong Kong or overseas and therefore does not incur Hong Kong Profits Tax or overseas income taxes.

(b) The Group has not recognised deferred tax assets in respect of deductible temporary differences amounting to RMB 275,604,000 (2009: RMB 899,762,000) and cumulative unutilised tax losses amounting to RMB 313,425,000 (2009: RMB 1,054,566,000), 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.

8 Dividends

Pursuant to a resolution passed at the directors' meeting on 28 March 2011, a final dividend of RMB 0.03 per share totaling RMB 120,000,000 (2009: nil) was proposed for shareholders' approval at the Annual General Meeting. The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

9 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB 1,231,226,000 (2009: RMB 385,947,000) and the weighted average number of ordinary shares of 4,000,000,000 (2009: 4,000,000,000) in issue during the year.

(b) Diluted earnings per share

There were no dilutive potential ordinary shares in existence during the years ended 31 December 2010 and 2009.

10 Investments held for trading

	2010	2009
	RMB'000	*RMB'000*
Other investments	699,713	-

Investments held for trading of the Group as at 31 December 2010 represents marketable bonds at quoted market price.

The following table presents the carrying value of financial instruments measured at fair value at the end of the reporting period across the three levels of the fair value hierarchy defined in IFRS 7, *Financial Instruments: Disclosures*, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

•Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

•Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

•Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Investments held for trading	699,713	-	-	699,713

During the year there were no significant transfers between instruments in Level 1 and Level 2.

11 Trade and other receivables

	2010	2009
	RMB'000	*RMB'000*
Trade receivables	71,692	119,614
Bills receivable	1,414,970	1,000,787
Amounts due from parent company and fellow subsidiaries - trade	3,225	4,118
	1,489,887	1,124,519
Amounts due from parent company and fellow subsidiaries - non-trade	8,688	10,532
Other receivables, deposits and prepayments	95,792	271,820
	104,480	282,352
Less: Allowance for doubtful debts	(5,840)	(1,352)
	98,640	281,000
	1,588,527	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, and amounts due from the parent company and fellow subsidiaries-trade (net of allowance for doubtful debts) is as follows:

	2010	2009
	RMB'000	*RMB'000*
Current	1,489,887	1,214,519

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 6 months from the date of billing.

12 Trade and other payables

	2010	2009
	RMB'000	*RMB'000*
Bills payable	-	240,000
Trade payables	563,091	524,906
Amounts due to parent company and fellow subsidiaries - trade	1,079,833	926,871
	1,642,924	1,691,777
Amounts due to parent company and fellow subsidiaries - non-trade	11,865	15,575
Other payables and accrued expenses	433,895	366,597
	2,088,684	2,073,949

As at 31 December, the maturity analysis of bills payable and trade payables is as follows:

	2010	2009
	RMB'000	*RMB'000*
Due within one month or on demand	563,091	644,906
Due after 1 month but within 3 months	-	120,000
	563,091	764,906

As at 31 December, the maturity analysis of amounts due to the parent company and fellow subsidiaries-trade is as follows:

	2010	2009
	RMB'000	*RMB'000*
Due within one month or on demand	1,079,833	926,871

13 Reserves

During the year ended 31 December 2010, the Group appropriated RMB 116,843,000 of statutory surplus reserve (2009: nil).

8.3 Financial statements prepared in accordance with PRC ASBE

The following financial information has been extracted from the Group's audited financial statements, prepared in accordance with PRC ASBE for the year ended 31 December 2010.

Balance sheets

(Expressed in thousands of Renminbi Yuan)

	The Group		The Company	
	As at 31 December 2010	As at 31 December 2009	As at 31December 2010	As at 31 December 2009
Assets				
Current assets				
Cash at bank and on hand	2,469,388	1,334,367	2,469,388	1,327,985
Investments held for trading	699,713	-	699,713	-
Bills receivable	1,414,970	1,000,787	1,414,970	1,000,787
Accounts receivable	74,917	123,022	208,675	298,681
Prepayments	6,208	2,734	6,208	2,698
Other receivables	29,985	36,224	29,935	36,141
Inventories	1,318,769	1,308,019	1,294,415	1,273,345
Available-for-sale financial assets	-	700,000	-	700,000
Other current assets	62,443	242,750	62,443	242,408
Total current assets	6,076,393	4,747,903	6,185,747	4,882,045
Non-current assets				
Long-term equity investments	-	-	-	-
Fixed assets	3,413,109	3,695,828	3,292,760	3,565,795
Construction in progress	498,043	325,812	498,043	325,812
Intangible assets	346,766	376,270	346,766	376,270
Deferred tax assets	196,891	-	196,891	-
Total non-current assets	4,454,809	4,397,910	4,334,460	4,267,877
Total assets	10,531,202	9,145,813	10,520,207	9,149,922

Balance sheets *(continued)*
(Expressed in thousands of renminbi yuan)

	The Group		The Company	
	As at 31 December 2010	As at 31 December 2009	As at 31December 2010	As at 31 December 2009
Liabilities and shareholders' equity				
Current liabilities				
Bills payable	-	240,000	-	240,000
Accounts payable	1,343,835	1,181,716	1,340,094	1,172,554
Advances from customers	297,828	258,915	279,131	255,284
Employee benefits payable	71,444	72,122	71,265	71,943
Taxes payable	125,827	17,673	122,449	17,347
Other payables	359,687	303,523	371,044	319,168
Provisions	-	5,198	-	5,198
Total current liabilities	2,198,621	2,079,147	2,183,983	2,081,494
Non-current liabilities				
Deferred income	20,244	21,256	20,244	21,256
Total non-current liabilities	20,244	21,256	20,244	21,256
Total liabilities	2,218,865	2,100,403	2,204,227	2,102,750
Shareholders' equity				
Share capital	4,000,000	4,000,000	4,000,000	4,000,000
Capital reserve	3,146,794	3,107,164	3,146,794	3,107,164
Special reserve	755	-	755	-
Surplus reserve	116,843	-	116,843	-
Retained earnings/(Accumulated losses)	1,047,945	(61,754)	1,051,588	(59,992)
Total equity	8,312,337	7,045,410	8,315,980	7,047,172
Total liabilities and shareholders' equity	10,531,202	9,145,813	10,520,207	9,149,922

Income statements

(Expressed in thousands of Renminbi Yuan)

	The Group 2010	The Group 2009	The Company 2010	The Company 2009
Operating income	16,348,366	13,225,029	16,164,673	13,068,874
Less: Operating costs	13,949,852	11,801,291	13,773,821	11,629,474
Business taxes and surcharges	41,656	31,650	40,030	30,797
Selling and distribution expenses	212,868	183,227	201,699	171,741
General and administrative expenses	775,543	705,042	754,401	683,978
Net financial income	(35,286)	(16,854)	(35,236)	(20,652)
Impairment loss	273,815	158,696	291,939	209,998
Add: Gain on changes in fair value	310	-	310	-
Investment income	832	-	832	-
Operating profit	1,131,060	361,977	1,139,161	363,538
Add: Non-operating income	14,658	24,288	8,012	24,123
Less: Non-operating expenses	6,130	4,247	5,704	3,881
(Including: Losses from disposal of non-current assets)	1,816	1,702	1,816	1,702
Profit before income tax	1,139,588	382,018	1,141,469	383,780
Less: Income tax expenses	(86,954)	-	(86,954)	-
Net profit for the year	1,226,542	382,018	1,228,423	383,780
Attributable to:				
Shareholders of the Company	1,226,542	382,018		
Earnings per share				
Basic and diluted earnings per share (in RMB)	0.307	0.096		

Cash flow statement

(Expressed in thousands of renminbi yuan)

	Note	The Group 2010	The Group 2009	The Company 2010	The Company 2009
Cash flows from operating activities:					
Cash received from sale of goods and rendering of services		17,320,331	14,966,706	17,002,277	14,629,701
Refund of taxes		3,851	16,823	216	14,180
Sub-total of cash inflows		17,324,182	14,983,529	17,002,493	14,643,881
Cash paid for goods and services		(13,913,129)	(11,970,533)	(13,702,510)	(11,775,398)
Cash paid to and for employees		(757,965)	(721,919)	(672,769)	(650,242)
Cash paid for all types of taxes		(439,679)	(364,183)	(425,602)	(348,567)
Cash paid relating to other operating activities		(612,604)	(618,034)	(588,926)	(534,213)
Sub-total of cash outflows		(15,723,377)	(13,674,669)	(15,389,807)	(13,308,420)
Net cash inflow from operating activities	(1)	1,600,805	1,308,860	1,612,686	1,335,461
Cash flows from investing activities:					
Cash received from disposal of investment		700,873	-	700,873	-
Net cash received from disposal of fixed assets		17,483	10,260	11,637	16,211
Cash received relating to other investing activities		33,330	28,896	32,964	28,432
Sub-total of cash inflows		751,686	39,156	745,474	44,643
Cash paid for acquisition of fixed assets		(557,656)	(192,539)	(556,943)	(192,011)
Cash paid for acquisition of investments held for trading		(401,574)	-	(401,574)	-
Cash paid for acquisition of available-for-sale financial assets		-	(700,000)	-	(700,000)
Net cash paid for acquisition of a subsidiary		-	(18,414)	-	(61,525)
Sub-total of cash outflows		(959,230)	(910,953)	(958,517)	(953,536)
Net cash outflow from investing activities		(207,544)	(871,797)	(213,043)	(908,893)

Cash flow statements *(continued)*
(Expressed in thousands of renminbi yuan)

	Note	The Group 2010	The Group 2009	The Company 2010	The Company 2009
Cash flows from financing activities:					
Cash received from government		39,630	-	39,630	-
Sub-total of cash inflows		39,630	-	39,630	-
Cash repayments of borrowings		-	(334)	-	-
Cash paid for interest		-	(8,656)	-	(4,877)
Sub-total of cash outflows		-	(8,990)	-	(4,877)
Net cash inflow/(outflow) from financing activities		39,630	(8,990)	39,630	(4,877)
Net increase in cash and cash equivalents	(1)	1,432,891	428,073	1,439,273	421,691
Add: Cash and cash equivalents at the beginning of the year		1,334,367	906,294	1,327,985	906,294
Cash and cash equivalents at the end of the year		2,767,258	1,334,367	2,767,258	1,327,985

Notes to cash flow statements

(1) Supplement to the Group's and the Company's cash flow statements

(a) Reconciliation of net profit to net cash flows from operating activities:

	The Group		The Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Net profit	1,226,542	382,018	1,228,423	383,780
Add: Impairment provisions for assets	245,923	119,985	246,308	171,287
Depreciation of fixed assets	464,030	514,213	454,136	479,162
Amortisation of intangible assets	29,504	29,504	29,504	29,504
Amortisation of deferred income	(1,012)	(744)	(1,012)	(744)
Net gains on disposal of fixed assets	(8,620)	(5,984)	(3,276)	(6,047)
Net financial income	(33,330)	(13,241)	(32,964)	(16,555)
Investments income	(832)	-	(832)	-
Gain on change in fair value	(310)	-	(310)	-
Increase in deferred tax assets	(196,891)	-	(196,891)	-
Decrease in provisions	(5,198)	-	(5,198)	-
Increase in gross inventories	(28,489)	(384,477)	(21,070)	(403,499)
Specific reserve accrued	755	-	755	-
(Increase)/Decrease in operating receivables	(252,124)	347,229	(228,758)	46,440
Increase in operating payables	160,857	320,357	143,871	652,133
Net cash inflow from operating activities	1,600,805	1,308,860	1,612,686	1,335,461

(b) Change in cash and cash equivalents:

	The Group		The Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at the end of the year	2,025,932	774,767	2,025,932	768,385
Less: Cash at the beginning of the year	774,767	543,833	768,385	543,833
Add: Cash equivalents at the end of the year	741,326	559,600	741,326	559,600
Less: Cash equivalents at the beginning of the year	559,600	362,461	559,600	362,461
Net increase in cash and cash equivalents	1,432,891	428,073	1,439,273	421,691

(2) Cash and cash equivalents held by the Group and the Company is as follows:

	The Group		The Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Cash				
- Cash on hand	23	90	23	90
- Bank deposits available on demand	2,025,909	774,677	2,025,909	768,295
Cash equivalents				
- Bonds investment with a maturity of 3 months or less	297,870	-	297,870	-
- Others	443,456	559,600	443,456	559,600
Closing balance of cash and cash equivalents available on demand	2,767,258	1,334,367	2,767,258	1,327,985

Consolidated statement of changes in shareholders' equity
(Expressed in thousands of Renminbi Yuan)

	2010						2009					
	Attributable to shareholders of the Company						Attributable to shareholders of the Company					
	Share capital	Capital reserve	Specific reserve	Surplus reserve	(Accumulated losses)/retained earnings	Total equity	Share capital	Capital reserve	Specific reserve	Surplus reserve	Accumulated losses	Total equity
Balance at the beginning of the year	4,000,000	3,107,164	-	-	(61,754)	7,045,410	4,000,000	3,107,164	-	1,456,004	(1,899,776)	6,663,392
Changes in equity for the year												
1. Net profit for the year	-	-	-	-	1,226,542	1,226,542	-	-	-	-	382,018	382,018
2. Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
3. Transfer within equity												
Loss covered by surplus reserve	-	-	-	-	-	-	-	-	-	(1,456,004)	1,456,004	-
4. Shareholders' contribution												
Others	-	39,630	-	-	-	39,630	-	-	-	-	-	-
5. Appropriation of profit												
Appropriation for surplus reserve	-	-	-	116,843	(116,843)	-	-	-	-	-	-	-
6. Specific reserve												
Accrued for the year	-	-	755	-	-	755	-	-	-	-	-	-
Balance at the end of the year	4,000,000	3,146,794	755	116,843	1,047,945	8,312,337	4,000,000	3,107,164	-	-	(61,754)	7,045,410

Statement of changes in shareholders' equity
(Expressed in thousands of Renminbi Yuan)

	2010						2009					
	Share capital	Capital reserve	Specific reserve	Surplus reserve	(Accumulated losses)/retained earnings	Total equity	Share capital	Capital reserve	Specific reserve	Surplus reserve	Accumulated losses	Total equity
Balance at the beginning of the year	4,000,000	3,107,164	-	-	(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 year												
1. Net profit for the year	-	-	-	-	1,228,423	1,228,423	-	-	-	-	383,780	383,780
2. Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
3. Transfer within equity												
Loss covered by surplus reserve	-	-	-	-	-	-	-	-	-	(1,456,004)	1,456,004	-
4. Shareholders' contribution												
Others	-	39,630	-	-	-	39,630	-	-	-	-	-	-
5. Appropriation of profit												
Appropriation of surplus reserve	-	-	-	116,843	(116,843)	-	-	-	-	-	-	-
6. Specific reserve												
Accrued for the year	-	-	755	-	-	755	-	-	-	-	-	-
Balance at the end of the year	4,000,000	3,146,794	755	116,843	1,051,588	8,315,980	4,000,000	3,107,164	-	-	(59,992)	7,047,172

Notes to the financial report

Changes in accounting policies

The Group and the Company changed the following significant accounting policies, in accordance with China Accounting Standards for Business Enterprises Bulletin No.4, which was issued by the Ministry of Finance in 2010.

Description of and reasons for changes in accounting policies	Note	Procedures for approval	Items affected in financial report	Amount affected
The change in accounting treatment of transaction cost incurred by acquirer during a business combination involving entities not under common control	(i)	In accordance with relevant laws and regulations	Not applicable	This change of accounting policy has no effect on the financial reports of the Group and the Company on the current or comparative periods.
The change in accounting treatment of interest in acquire held prior to the acquisition date, during a business combination involving entities not under common control finished by a stage-up approach	(ii)	Ibid	Not applicable	This change of accounting policy has no effect on the financial reports of the Group and the Company on the current or comparative periods.
The change in accounting treatment of deferred tax assets arising from business combination by the acquirer	(iii)	Ibid	Not applicable	This change of accounting policy has no effect on the financial reports of the Group and the Company on the current or comparative periods.

Notes:

(i) *The change in accounting treatment of transaction cost incurred by acquirer during a business combination involving entities not under common control is as following:*

Prior to 1 January 2010, the combination transaction cost (excluding the transaction cost attributable to the issue of equity or bond securities as consideration) incurred by the Group as the acquirer during a business combination involving entities not under common control is recognised in combination cost. Since 1 January 2010, the combination cost is recognised in profit or loss in current period.

The aforesaid change in accounting policy is first effective from 1 January 2010, and will be applied prospectively to transactions in current or future periods.

(ii) The change in accounting treatment of interest in acquire held prior to the acquisition date, during a business combination involving entities not under common control finished by a stage-up approach is as following:

Prior to 1 January 2010, when a business combination involving entities not under common control is finished by a stage-up approach with several transactions, the Group adjusts the carrying amount of long-term equity investment held by the Group prior to the acquisition date and measured with equity method to the initial acquisition cost.

Since 1 January 2010, the initial equity investment cost is the aggregate of the carrying amount of equity investment in acquiree held by the Group and investment cost newly added at the acquisition date in the separate financial reports of the Group. Any other comprehensive income attributable to interest in acquiree prior to the acquisition date is transferred to investment income during the disposal of investment. In consolidated financial reports, the equity interest held by the Group before the acquisition date is recalculated as the fair value at the acquisition date, and the difference is recognised in investment income in current period. Any other comprehensive income attributable to the equity interest held before the acquisition date is transferred to investment income in the period of the acquisition date.

The aforesaid change in accounting policy is first effective from 1 January 2010, and will be applied prospectively to transactions in current or future periods.

(iii) The accounting treatment of deferred tax assets arising from business combination by the acquirer is as following:

Before 1 January 2010, if the temporary deductible differences of the acquiree obtained in business combination fail to meet the recognition criteria for deferred tax assets at the acquisition date, the Group does not recognise the deferred tax assets accordingly. Then any subsequent recognition of these deferred tax assets when related benefit is realisable is recognised in profit or loss by deducting income tax expenses. Meanwhile, the goodwill is written down to the amount in case of the deferred tax assets is recognised on the acquisition date, and the written-down amount is recorded as impairment loss in profit or loss.

Since 1 January 2010, under the aforesaid circumstance, when recognise deferred tax assets obtained in business combination, the Group deduct the income tax expenses in profit or loss. Unless additional information about facts and circumstances obtained within 12 months from the acquisition date shows that they already existed at the acquisition date, and the benefits related to the acquiree’s temporary deductible differences at the acquisition date is realisable, then the Group write down goodwill while recognise deferred tax assets. If the goodwill is insufficient to dilute, the difference is recognised in profit or loss.

In consideration that the temporary deductible differences of YCFC Jingwei Chemical Fibre Company Limited (“YCFC Jingwei”) (formerly “Yihua UNIFI Fibre Industry Company Limited” (“Yihua UNIFI”)) fail to meet the recognition criteria for deferred tax assets at the acquisition date, the Group does not recognise any deferred tax asset relating to YCFC Jingwei’s temporary deductible differences at 31 December 2010. Therefore, no retrospective adjustment is applied for the aforesaid change of accounting policy.

The Group’s and the Company’s changes of accounting policies have no effect on any item in consolidated income statement and income statement of the current period, and the consolidated balance sheet and balance sheet as at 31 December 2010, compared with items in these financial statements assumed that no change of accounting policy has been made.

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

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

	Note	The Group 2010 RMB'000	2009 RMB'000
Net profit attributable to equity shareholders of the Company under PRC ASBE		1,226,542	382,018
Adjustments:			
Reversal of amortisation of revaluation surplus of land use rights	(a)	5,239	5,239
Special reserve	(b)	755	-
Tax effect of the above adjustments		(1,310)	(1,310)
Subtotal		4,684	3,929
Net profit attributable to equity shareholders of the Company under IFRSs		1,231,226	385,947

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

	Note	The Group As at 31 December 2009 RMB'000	As at 31 December 2009 RMB'000
Total equity attributable to equity shareholders of the Company under PRC ASBE		8,312,337	7,045,410
Adjustments:			
Revaluation surplus of land use rights	(a)	(172,002)	(177,241)
Government grants	(c)	(39,630)	-
Tax effect of the above adjustments		44,310	44,310
Subtotal		(168,632)	(132,931)
Total equity attributable to equity shareholders of the Company under IFRSs		8,143,705	6,912,479

Note:

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

(b) Pursuant to the relevant regulations of the related government authorities in the PRC, production safety expenditures is accrued by coal mining companies based on renvenue of dangerous goods, recognised as expense in profit or loss and separately recorded as a specific reserve in shareholders' equity. On utilisation of the specific reserve as fixed assets in accordance with the stipulated scope, full amount of depreciation is recognised at the same time when the cost of the relevant assets is recorded. Under International Financial Reporting Standards, these expenses are recognised in profit or loss as and when incurred. Relevant capital expenditure on production maintenance and safety facilities are recognised as property, plant and equipment and depreciated according to the relevant depreciation method.

(c) Under ASBE, grants from government that are credited to capital reserve according to relevant regulation cannot be included in deferred income. Under IFRS, the government grants are deducted from the carrying amount of the assets and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reducing depreciation expense when transferred to plant, property and equipment.

9. OTHER ITEMS

(1) Annual Report
The Company will dispatch the 2010 Annual Report to all “H” shareholders as soon as possible.

(2) Compliance with the Code of Corporate Governance Practices and the Model Code
The Company has complied with the Code of Corporate Governance Practices as set out by 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 Audit Committee under the sixth term of the Board held four meetings and reviewed the Company’s 2009 Financial Statements, Interim Report for 2010, procedures of internal control system and formed its independent opinion during the reporting period.

The Audit Committee under the sixth term of the Board held the eleventh meeting on 28 March 2011 and reviewed the resolution regarding the 2010 Financial Statements, re-appointing of the auditors of the Company and performance report of the Audit Committee of the Company for 2010.

(3) Purchase, sale or redemption of the Company’s listed securities
During the year under review, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

(4) A detailed results announcement of the Company containing all the information required by Paragraphs 45(1) to (3) inclusive of Appendix 16 to the HKSE Listing Rules will be published on the website of the HKSE at appropriate time.

By Order of the Board
Lu Li-yong
Chairman
28 March, 2011

As of the date of this announcement, the directors of the Company include Mr. Lu Li-yong, 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*